THE IMPACT OF JABULANI SHOPPING MALL ON SMALL TOWNSHIP BUSINESSES AND THEIR RESPONSE

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A research report submitted to the Gordon Institute of Business Science, University of Pretoria in partial fulfilment of the requirement for the degree of Master of Business Administration

14 November 2007

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The advent of shopping mall in the Soweto township has an impact on the small township businesses. The objective of this research was to explore the impact of Jabulani shopping mall on the spaza shops and general dealers and assess their responses to competitive pressures from large retailers in the shopping mall.

20 township small businesses (10 spaza shops and 10 general dealers) were interviewed face to face at their business premises. A semi-structured interview guideline was used. Each business provided data on all the questions. The data was then mapped to research questions. Various descriptive statistical techniques were used to collate and analyse the data.

A model based, on the findings, was designed for the purpose of summarising the findings. The model (Figure 6) illustrates the key findings relating to the impact experienced by spaza shops and general dealers and their response to competition. The extent of involvement by each business type in competitive strategies is illustrated in the model. Although the model only highlights the key findings, this research identified other findings that improve the understanding of the responses undertaken by small township businesses to differentiate their value proposition from that of large retailers at the shopping malls.
DECLARATION

I Alfred Mathenjwa declare that this research report is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University.

_______________________________________
Alfred Mathenjwa
14 November 2007
ACKNOWLEDGEMENTS

- My wife, Nthabiseng, who has stood by me throughout the past two years and especially through this research. Baby, you have been very loving, understanding and supportive. I love you.

- My supervisor, Coenraad Jonker for all the assistance and guidance through this research. Thank you for your constructive comments.

- My friend, Tshepo Mosupye for sharing ideas with me and guidance through shaping this report

- My parents, brothers and sisters. I know we missed a lot of quality time together. Thank you for your understanding and support.
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CHAPTER 1

1. THE RESEARCH PROBLEM

1.1 INTRODUCTION

The retail scene exhibited in the majority of South African townships consists of the abundance of home-based spaza shops or mini-retailers (Tustin, 2004). Small, mainly informal business traders offering basic products to a low-income consumer market have long dominated the South African retail trade environment in townships and rural areas (Ligthelm, 2005).

Tustin and Strydom (2006) state that following political changes in South Africa, many African consumers have progressed into a middle-income group. This development has sparked a trend among many African people to trade township life for urban living. However, a significant portion of the African middle-income class still resides in townships (Lighthelm, 2006). According to Lighthelm (2006) this resulted in South African townships emerging as the new market for national retailers, especially supermarket chains. Lighthelm (2006) adds that the increasing movement of formal retailers into previously untapped middle- and low-income markets has resulted in an increase in shopping centre development in townships.
This movement of large retailers into township markets is bound to impact on the business communities in the townships. It is important to understand the impact that the development of shopping centres in the townships has on small businesses in the townships and what the responses of small township businesses are to minimise the effect of competition. This will enable the interested parties to formulate strategies to identify opportunities and risks pertaining to retailing in the township.

**1.2 MOTIVATION FOR RESEARCH**

Tustin and Strydom (2006) argue that market expansion strategies by retail chains into townships follow from intense retail competition, especially in city areas and major structural changes evident among the South African population. The retail growth and development in the townships would impact on the broader business and community environment of townships. Apps (2004) concurs that retail growth and development could impact on for example, job creation, skills development and social responsibility. While shopping malls in the township provide a large variety of options for the township consumer, they pose a threat to existing small business establishments in the township (Apps, 2004).

According to Tustin and Strydom (2006) most large shopping developments in townships are anchored by national grocery retail chains that offer perishable and fresh produce and convenience food items. Through franchise operations,
many food retail chains also offer fruit and vegetables, meat, confectionery, fast foods and liquor. These products are similar to some procured by small, mainly informal retail shops in townships. The advent of supermarkets in townships will therefore undoubtedly lead to increased competition in the food retail market. Whether small, often survivalist, township retail establishments will survive the onslaught from formal retail remains to be seen (Hlengani, 2007). The present research study tries to answer this question by exploring the effect of competition from large retailers on small retailers in the township.

Concerns for small business establishments in townships stems from the fact that they will now have to compete with national retail chains such as Pick ‘n Pay, Shoprite Checkers and SPAR, which have large turnovers (Tustin and Strydom, 2006). Spaza shops and small township retailers are the source of survival for most township dwellers as they contribute to income generation and employment in the township. If these businesses are compelled to close due to increased competition from large retailers, many jobs would be lost and this has huge implications to business and township communities. On the other hand there may be businesses surviving and perhaps thriving despite the threat of new entrants into the local market.

While there is evident rise in shopping mall development in the townships, there is not sufficient research done to assess the impact of shopping mall development on the spaza shops and small township retailers. Research
pertaining to this subject is still at its infant stage. It is to the researcher’s knowledge that there is no research done in South Africa that looks at the response of the small retailers, especially in the township, to competition from large retailers. The reason for this may be attributed to the fact that development of shopping malls in the townships is a recent phenomenon. Also, the township market has long been ignored as a market with potential for growth. Hopefully, this will change in the recent future and more attention will be given to the small businesses in the township. This research study is a modest contribution in this regard.

This research explores the impact of Jabulani shopping mall in the Soweto township on small township businesses. It also explores the responses of these small township businesses to competitive pressures from large retailers at the shopping mall. Academics and organizations (including government institutions) that need to address the issue of the survival of small businesses in the township need evidence of the impact of competition from large retailers on these small businesses. This will enable them to formulate strategies to address this problem for the betterment of these businesses.
1.3 RESEARCH OBJECTIVES

The aim of this research is to assess and understand the perceived impact of Jabulani shopping mall on spaza shops and small township retailers. It could be expected that Jabulani shopping mall would have a negative impact on small township businesses. A second objective is to determine the response of spaza shops and small township retailers to competition in order to ensure their survival. Given this objective, this research endeavours to answer the following questions:

- How does the entrance of large retail chains into emerging township markets impact on local small township retailers such as spaza shops and township general dealers?
- What is the response of these small township businesses to competition from the large retailers in the shopping malls?
1.4 KEY DEFINITIONS

**Spaza shops:** These are defined as businesses operating in a section of an occupied residential home or in any other structure on a stand zoned or used for residential purposes and where people permanently live.

**Small Township retailers (also known as township general dealers):** These are stand-alone businesses with a brick and mortar superstructure, often located in a business area, but they may also be located in residential sections of townships. They carry a wider product range than spazas and have more fixtures and fittings allowing self-service to clients.

**Small retailer:** Defined broadly as comprising any organization of one or more stores that is owned and operated by an individual or individuals whose scale of operation allows for close and continuous personal involvement in day-to-day operations at the retail level. This definition encompasses both township general dealers and spaza shops.
CHAPTER 2

2. LITERATURE REVIEW

2.1 INTRODUCTION

There is abundant evidence in the academic and practitioner literature of the rise in shopping centre development in the townships. Shopping centres form part of the retail sector in the economy. It is for this reason that the ensuing literature is directed at dynamics of retailing as the focal point. In reviewing the literature on the impact of retail development in the Townships, the researcher’s approach was to begin with a broader perspective on the dynamics in the retail industry and subsequently narrowed the focus to the retail dynamics of the small retailers.

This chapter begins with the role of retailing, followed by a discussion of the South African retail environment. Because this study focuses on spaza shops and township general dealers, a discussion of the profile of the spaza shops and the township general dealers is provided in this chapter. The subsequent sections deal with the expansion of retail giants in the townships, the impact of the retail development in emerging markets and the response of small retailers to competition from large retailers.
2.2 THE ROLE OF RETAILING

This research studies a segment of the retail industry and it is therefore important to understand the nature and role of the retail industry. This section provides a description of the role of retailing in the marketing channel, followed by a brief discussion of the dynamic nature of retailing and concludes with a description of the role of retailing in the economy.

According to Tustin (2004), the retail industry is the last link in the marketing channel from producer to wholesaler to retailer. In this regard, retail mainly performs a distributive function. Tustin (2004) continues to state that the role of the retailer is further extended to include an informative function. In performing this function, retail acts as an agency through which the consumer sends signals back through channel to the manufacturer by way of a specific reaction to the offering of goods in the market place. Terblanche (1998) concurs that retailers bridge the gap that exists between what the consumer wants and what the producer or manufacturer wants to produce. The discrepancies that exist between what is right for the manufacturer’s production and what is demanded by consumers to satisfy their needs are overcome by retailers. They do so in their role as intermediaries between consumers and manufacturers or producers in the marketing channel (Levy and Weitz, 2006).
Terblanche (1998) asserts that typical discrepancies that exist between consumers and manufacturers and which are overcome by the intervention of retailers are:

- **Spatial gaps** which exist because the production and consumption of products are most likely to take place in different geographic locations. Retailers overcome the spatial gaps by buying products from manufacturers and selling them at locations which can be reached conveniently by the consumers.

- **Assortment gaps** which come about because manufacturers narrow down product lines to achieve economies of scale, while consumers prefer a wide selection of products from which to choose. Retailers overcome these gaps by buying the limited product offerings of various different manufacturers, agents and wholesalers. This rearrangement of merchandise enables the retailer to offer a greater variety and hence greater satisfaction to customers.

- **The quantity gap** which exists because of large-scale production and selling by producers on the one hand and small-scale consumption by consumers on the other hand. Consumers not only consume small quantities of products at a time, they also purchase small quantities of a product at a time because of a limited storage space at home, the restricted ability to transport products and the limitations that their budgets place on them. Retailers bridge the quantity gap by ‘breaking bulk’.
The retail industry is dynamic in its nature. Many retail formats have developed over time. Some of these have been successful for long periods while others had a short lifespan. The supermarket, for instance, has been a very successful retail format since the 1930s. It was the basis from which other bigger retail formats, such as hypermarkets, as well as smaller versions, such as superettes, have developed (Stanley, 2006).

According to Levy and Weitz (2006), the development of services retailing has also given birth to various retailing formats and institutions such as food delivery firms. All these different formats and institutions have one single denominator in common, namely, that they came into existence to satisfy the needs and wants of consumers.

Retailing plays a pivotal role in the economy by, firstly, adding value to products and services. Secondly, it is an important source of employment and income generation. Large numbers of people are employed by retailers, and many self-employed people operate in the informal sector. The low barriers to entry and the limited skills required to operate as informal retailers, tempt many entrepreneurs to try their hand at informal retailing. During times of high unemployment, there is usually also an increase in the number of people who earn a living from informal retailing activities (Terblanche, 1998).
2.3 THE SOUTH AFRICAN RETAIL ENVIRONMENT

This research focuses on the spaza shops and small township retailers. Although these businesses are mainly informal, they form part of the South African retail industry. Spaza shops and small township general dealers are exposed to the South African retail environment. It is therefore important to understand the retail dynamics in the South African context. The South African retail environment can be divided into the formal retail sector and the informal retail sector (see Figure 1 in section 2.3.2). These sectors of the South African retail environment will be discussed in this section.

2.3.1 The Formal Retail Sector

The formal retail sector comprises all retail businesses that are registered and pay taxes. The major players in the formal grocery retail sector are Pick ‘n Pay and Shoprite/Checkers. These are the large retailers that anchor the shopping malls and present competitive pressures on small retailers in the township.

The retail industry remains one of the largest sectors in the global economy (Venter and Dhurup, 2005). In South Africa, retailing is one of the toughest and most competitive industries. The South African retail business environment is becoming increasingly hostile and unforgiving, with intense competition from both domestic and foreign companies (Terblanche, 1998). As part of their renewed
sustainable retail growth strategies, formal large formal retail chains have targeted township areas.

As mentioned above, this move changes the retail landscape in the townships especially for small township retailers such spaza shops and small township general dealers. These businesses are mainly informal and do not have deep pockets and resources to compete against the large chain retailers invading their territory. It will be interesting to find out whether the small businesses in the township are surviving the onslaught from large retailers or not. Also those that are surviving, what is it that they are doing that enables them to remain in business. This research explores these questions from the perspective of township based retailers.

2.3.2 The informal retail sector

Schneider (2002) defines the informal sector as all unregistered activities that do not contribute to the officially calculated gross national product. Smith (in Schneider, 2002:3) defines it as “market-based production of goods and services, whether legal or illegal, that escapes detection in the official estimates of gross domestic product (GDP)”. According to Tustin (2004), the informal sector also includes all economic activities that would generally be taxable were they reported to the state (tax) authorities.
Figure 1: Classification of the South African retail industry


Figure 1 shows the classification of the retail sector in South Africa. On the basis of figure 1, Lighthelm and Masuku (2003) describe the informal retail industry of South Africa as comprising of:

- Spazas or tuck shops, which are businesses operating in a section of an occupied residential home or any other structure on a stand, zoned or used for residential purposes and where people permanently live.
- Hawkers or street vendors operate from a temporary or permanent structure on a street or at a taxi rank or train station.
- Township general dealers are stand-alone businesses with a brick and mortar superstructure often located in a business area but may also be located in residential sections of townships. They carry a wider product.
range than spazas and have more fixtures and fittings allowing self-service to clients

- Shebeens or informal liquor outlets
- Flea markets that consist of handmade arts and crafts

This study focuses on retail activities of spaza shops and township general dealers. This choice is purely based on time constraints and convenience. A detailed account of these forms of retailers is discussed in the following sections.

2.4 PROFILE OF SPAZA RETAILERS

According to Terblanche (1991), in South Africa unemployment, which took enormous dimensions during the 1980s, was the major force behind the emergence of the spaza shop. Some reasons for the unemployment were the departure of overseas companies because of sanctions and the inability of the formal sector to create new jobs (Terblanche, 1991).

The formal sector employed 20,000 fewer people in 1990 than in 1982. The high population growth, especially among the black population, required that 1,300 job opportunities must be created per day to meet the demand. It was the black population that was worst hit by unemployment and those unemployed had no option but to consider the informal sector for their livelihood. Many turned to hawking, whilst others opened spaza shops to earn a living (Terblanche, 1991).
Spaza shops play a prominent role in retail trade. As with the size of the informal sector and its contribution to economic activity, Van Zyl and Lighthelm (1998) emphasise the extent of spazas and their role in retail trade. They revealed that the World Bank (1993) estimated that South Africa had as many as 66 000 spazas in 1990, with an annual turnover in the range of R3 billion to R7 billion. Lighthelm (2002) maintains that the spaza retailers captured approximately 2.7% of retail trade, amounting to R7.4 billion in 2000. He adds that the importance of this market segment is highlighted by the fact that the turnover of spaza retailers is larger than the combined turnover of the so-called branded superettes that include Kwikspar, 8 Till Late, Seven Eleven, Friendly Grocer, Foodies, OK Foods, Score, Rite Valu, Shield and Sentra. The turnover of spaza retailers constitutes just more than 20 % of the combined turnover of hyper- and supermarkets, including Shoprite/Checkers, Pick ‘n Pay, Spar, Clicks and Woolworths Food Stores (Lighthelm, 2002).

This situation may have changed in recent times because of the change in dynamics. There may be spaza shops that closed due to increased competition from large retailers and this will affect the figures presented in the preceding paragraph.

Although most literature pictures spazas as survivalist enterprises operating at bare survival level (Horn and Sofisa, 1993), evidence from a study by van Zyl and Lighthelm (1998) shows that spazas are becoming not only a permanent
phenomenon on the South African retail scene but also more sophisticated and closely linked with the rest of the economy. This is particularly true of spazas in the townships areas where 60% of spazas are situated (van Zyl and Lighthelm, 1998).

Van Zyl and Ligthhelm (1998) and Lighthelm (2002) highlight the following characteristics of spazas as signs of sophistication, permanency and linkages with the formal economy:

- The majority of spazas in formal residential areas possess electricity and running water;
- Refrigerators/deep freezers are available in four fifths of the spazas in formal areas;
- More than four fifths of the spazas have signboards indicating their location;
- Almost half the spazas recorded an increase in capital needs once the business was in operation;
- More than half the spazas financed their additional capital needs from profits of the spaza;
- Posters, pamphlets, catalogues and magazines/newspapers are consulted by almost half the spaza owners when rating decisions with regard to purchasing goods;
• A full 95% of spazas buy their stock from wholesalers. For spazas in formal areas the manufacturer/producer is the second most important supplier; and
• A variety of products, such as bakery products, non-alcoholic beverages and dairy products are delivered to spazas by suppliers.

2.5 PROFILE OF TOWNSHIP GENERAL DEALERS

Township general dealers form part of the focus of this research. It is therefore appropriate to discuss these businesses in the literature review. There is limited literature on the township general dealers. The township general dealers or small township retailers are larger than spaza shops. Lighthelm (2006) defines Township general dealers as stand-alone businesses with a brick and mortar superstructure often located in a demarcated business area but also located in the residential sections of townships. They sell a wider range of food products as well as limited amounts of non-food items.

According to Terblanche (1998), the typical products offered by a township general dealer are dry groceries, fresh meat and fish, fruit and vegetables, dairy products and toiletries. Initially, township general dealers concentrated on food, but the low profit levels of food forced them to add increasingly more non-food items to their offering. Basic food lines are also supplemented by a variety of prepared food items (Terblanche, 1998).
Lighthelm (2004) conducted a study aimed at highlighting the profile of informal retailers such as township general dealers with assortment of merchandise as one of the factors for analysis. His study revealed that the township general dealers identified the following products as the five most important contributors to their monthly turnover:

- Soft drinks
- Bread
- Sugar
- Maize meal
- Cigarettes and tobacco

It must be noted that these products are also major contributors to the turnover of spaza shops.

2.6 EXPANSION OF RETAIL CHAINS IN THE TOWNSHIP

As part of their renewed sustainable retail growth strategies, large retail chains have targeted township areas.

Lighthelm (2006) argues that the retail sector forms a critical element of a community’s economic and social welfare. It provides people with choices and services. These choices were until recently, extremely limited in township areas. A recent study aimed at developing a retail strategy for Soweto clearly illustrates
the need to improve the retail choices and services in township areas (City of Johannesburg, 2005).

According to Hlengani (2007) in the April issue of the Financial Mail, the result of two studies - the Soweto Retail Strategy and the Soweto Investment Framework, both commissioned by the City of Johannesburg revealed that Soweto’s retail spending power was above R4.2bn annually, but that only R1.05bn was being spent in the township. This evoked a lot of interest and involvement from developers, retailers and investors to enter the promising untapped township retail market. The contributing factors to this interest were: the emergence of the middle class, particularly those residing in Soweto, as well as the saturation of the Johannesburg retail market in regions such as Fourways, Sandton and the CBD (Tustin and Strydom, 2006). This spurred the creation of larger scale shopping centres in Soweto, such as Protea Glen, followed by Jabulani Mall and September 2007’s much anticipated up-market development, Maponya Mall (Hlengani, 2007).

These shopping centres are anchored mainly by large chain retailers such as Pick ’n Pay, Shoprite, Checkers and Game. As a consequence, the retail competition in the township increases and this affects the small retailers in the township. It is against this background that this study focuses on the impact of these large retailers on small retailers and the response of these small businesses thereof.
2.7 THE IMPACT OF RETAIL DEVELOPMENT IN EMERGING MARKETS

Lighthelm (2006) compiled a study investigating the impact of shopping mall on existing small informal retailers in the Soshanguve township. The results of the study revealed that distance of small retailers from shopping malls and effective customer service on a small dedicated assortment of merchandise might result in the survival of some of the small township retailers and spaza/tuck shops.

Table 1 shows the percentage of small business owners who confirmed a decrease in their business activities during the six-month period since the opening of the shopping mall in the Soshanguve (north of Pretoria) area. The table shows, for example, that 75% of business located less than 1km form the mall (15min walking time) reported a decline in their profits while only 36.8% of those located between 4 and 5 km (approximately 1 hour walk) from the mall experienced a drop in their profitability.
Table 1: Percentage of small retailers in Soshanguve that reported a decline in business activity by distance from the mall

<table>
<thead>
<tr>
<th>Distance from the mall</th>
<th>Decline in turnover (%)</th>
<th>Decline in profit (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 km</td>
<td>80,0</td>
<td>75,0</td>
</tr>
<tr>
<td>1,1 to 2 km</td>
<td>71,4</td>
<td>61,9</td>
</tr>
<tr>
<td>2,1 to 3 km</td>
<td>78,9</td>
<td>73,7</td>
</tr>
<tr>
<td>3,1 to 4 km</td>
<td>60,0</td>
<td>70,0</td>
</tr>
<tr>
<td>4.1 to 5 km</td>
<td>30,0</td>
<td>36,8</td>
</tr>
</tbody>
</table>

The present research is similar to this study, but extends further by looking at the response of the small retailers to this impact from shopping mall development.

A study was conducted by researchers in the United States to assess the impact of large format retailers by collecting data from local small retailers (merchants). McGee (1996) surveyed 222 small retailers in five rural Nebraska communities in which a Wal-Mart store had recently opened. He discovered that 72 percent of the responding firms indicated that they had been affected by Wal-Mart’s arrival; 53 percent reported suffering negative consequence, while 19 percent reported enjoying positive effects. Of those retailers negatively affected, 22 percent experienced a decline in revenues of less than 10 percent during the 12-month period immediately following Wal-Mart’s entry into the area. Over 30 percent of them claimed that their annual revenues declined by more than 10 percent after Wal-Mart’s arrival. On the other hand, 1 percent indicated that their stores’
revenues increased by less than 10 percent, while nearly 7 percent of the merchants reported sales gains of 10 percent or more (McGee, 1996).

Litz and Stewart (1997) conducted research to examine how small local businesses cope when confronted with competition from a large, dominant, economically efficient competitor. They discovered that small firms perceive giant entrants as having a strong negative effect on their performance. Just under half of all respondents reported a decrease in both sales and profits being attributable to the presence of the large competitor. This is another point to emphasise the negative impact felt by small retailers due to the entrance of large retailers in their markets.

One should not neglect the positive impact of retail development. Although it applies mainly to consumers and resident communities, it is worth mentioning at this point. The following discussions touch on the positive impacts of retail development.

Guy and Bennison (2002) explored the economic advantages of superstore (both food and non-food) development. Their research found clear evidence that the development of superstores can bring substantial benefits to consumers. The advantages to the consumer of superstore development are lower prices and a wider range of products. Guy and Bennison (2002) confirm that larger stores
consistently attract higher volumes of expenditure per visit, indicating greater fulfilment of consumer needs.

Mitchell and Kirkup (2003) argue that retail development plays a key role as a catalyst and stimulator in the regeneration of physically, socially and economically neglected areas in some parts of the UK’s towns and cities. In their view, retail development can contribute to a new social network, safer streets, lower crime rates, better housing, a focal point for the community, easier shopping access without a car, and new wealth for local services (through wages and business contribution).

McIntosh (2002) concurs with this view that modern supermarket development can also be a quality development, bringing improvements to landscaping, and this can contribute to an area being perceived differently. McIntosh (2002) observes, in addition, that increased supermarket competition arising from new retail development within disadvantaged urban areas can lead to a reduction in the real price of food.

The observation by McIntosh (2002) relating to the drop in the real price of food is an important one especially in the township context. The spaza shops and general dealers in the township sell mainly food items. If they are forced to reduce their prices, they may be compelled to close their businesses as it may no longer be economical to run them.
In summary, there is little question that the arrival and continued presence of retail giants and large retail formats such as shopping centres has an impact, perhaps both positive and negative, on the retailing dynamics in the emerging markets. Although evidence suggests a direct link between retail development and deterioration of the local small businesses, the impact on spaza shops and small township retailers is not adequately documented. Hence this study’s first research question: What is the impact of retail development in the township on the spaza shops and small township retailers?

An understanding of the impact of retail competition from large retailers on small retailers is not complete without an assessment of the response of these small retailers to this competition. The following section will deal with the response of the small retailers to competition from large retailers.

2.8 THE RESPONSE OF SMALL RETAILERS TO COMPETITION FROM LARGE RETAILERS

There is not sufficient literature that covers the response of small South African retailers to competition from retail giants such as Pick ‘n Pay and Shoprite in the South African context. However, there is sufficient research of this kind in the United States and other areas outside of South Africa. This section therefore
describes literature mainly in the United States and other areas outside of South Africa.

According to D'Andrea and Lopez-Aleman (2006) a small retailer is defined broadly as comprising any organization of one or more stores that is owned and operated by an individual or individuals whose scale of operation allows for close and continuous personal involvement in day-to-day operations at the retail level.

This definition fits the profile of small township retailers and spaza shops. According to Lighthelm (2004), more than 90% of small township retail businesses and spaza shops are owned by individuals. Also more than 83.8% of small township retail businesses and spaza shop owners are engaged in their businesses on a full-time basis. Therefore the term small retailers embraces township general dealers and spaza shops.

According to Peterson and McGee (2000), many consultants, business writers and other “experts” argue that small retailers need to adjust their marketing strategies to reduce the competitive pressures created by the arrival of Wal-Mart and other large format retailers. Incumbent merchants are encouraged to engage in activities such as pruning products, increasing promotional efforts, adding new products, and/or diversifying into other lines of business. Conversely, Small retailers are generally discouraged from lowering prices in response to the entry of a much larger competitor (Peterson and McGee, 2000).
Interestingly, the growing body of empirical research does not support these prescriptions. McGee (1996), for example, collected data regarding how small retailers in several rural towns in the US adjusted their competitive strategy in response to the arrival of Wal-Mart discount store. The responses were divided into two groups based on the merchant’s perception of Wal-Mart’s impact. The first group contained the responses from those retailers that believed the discounter’s arrival negatively impacted on their business. The second group represented the merchants who believed their respective stores were not negatively affected by Wal-Mart’s entry into the local market. The results of this study showed that the merchants from neither group made dramatic adjustments to their competitive strategy. McGee (1996) speculated that, rather than a statement of apathy, the absence of more provocative actions on the part of incumbent small retailers suggests an almost passive acceptance of erosion in their market position. In other words, these merchants may have adopted a “What else can I do?” attitude toward available competitive responses.

Litz and Stewart (1997) as referred to in section 2.7, studied six management responses (changes in product mix, service mix, store layout, store hours, store size, and store location). Almost half of all respondents reported undertaking none of these actions in response to the giant competitor. The authors speculated that despite most of the small retailers’ perceptions that they were negatively affected by the larger store’s entry into the local market, the small
merchants appeared unwilling, or perhaps unable, to enact specific competitive actions in response to the retailing giant’s arrival. Litz and Stewart (1997) contended that this may be due to local small retailers’ disbelief in the effectiveness of any such response.

As was mentioned earlier, prior research has indicated that local merchants should avoid low pricing practices when competing against large discount chain stores. One of Wal-Mart’s primary competitive weapons is low price, which is difficult, if not impossible to replicate (Taylor and Archer, 1994). Further, small business theory provides that small firms should focus their competitive efforts on target markets or niches that their larger competitors will likely ignore. Covin and Covin (1990), for example, suggest that small firms should compete on customer service and product specialization or customization, rather than price. Stone (1995) recommends that stores should not attempt to compete head-to-head with a discount chain but offer different or complimentary merchandise.

Other research has focused on the appropriateness of coexistence strategies. For example, McGee and Rubach (1997) compared the competitive behaviour of local incumbent retailers whose performance was negatively affected by Wal-Mart’s competitive pressure to those local merchants who were not affected by its presence. The retailing environments facing those merchants who had experienced a negative impact were characterised as “hostile”, while that of those retailers that were not affected was characterised as a “benign”
environment. The authors argued that a complex pattern of competitive behaviour, including the combination of creative pricing tactics and superior merchandising practices, was the most effective behaviour for small retailers competing in hostile environments. In benign environments, on the other hand, they suggest that the most appropriate competitive behaviour should involve a clear focus on satisfying selective target markets.

### 2.9 CONCLUSION

In light of the foregoing discussion, a wide variety of literature has been developed around the development of shopping malls in the townships. The majority of studies have discussed the movement of retail giants into townships as part of their growth strategies. Although there is extensive literature about the impact of large retail giants such as Wal-Mart on small retailers in international markets, little has been found in reference to the impact that South African retail giants such as Pick ‘n Pay and Shoprite have on the South African small retailers, especially small township retailers such as spaza shops and township general dealers. Also little effort has been devoted to learn about the response of these local township businesses to the competition pressures from the large South African retailers. This research tries to cover this gap in the literature.

Dynamics highlighted in literature may be the same but are mostly international. This research looks at the unique dynamics in the township.
CHAPTER 3

3. RESEARCH QUESTIONS

The key research questions that have been identified from the literature review were divided into themes as follows:

- Questions assessing the impact of Jabulani Mall on township businesses
- Questions assessing the response of township businesses to competition

Research questions 1 to 5 below assess the impact of the Jabulani shopping mall as perceived by the spaza shop owners and township general dealers, while research question 6 assesses the response of these businesses to competition from shops at the shopping mall.

3.1 RESEARCH QUESTION 1

Does Jabulani mall have a positive or negative impact on spaza shops and small township retailers?
3.2 RESEARCH QUESTION 2

Have spaza shops and Small Township retailers experienced a loss or increase in spending by their regular customers since the opening of the Jabulani shopping mall?

3.3 RESEARCH QUESTION 3

Which products are the most important contributors to the turnover of spaza shops and small township retailers?

3.4 RESEARCH QUESTION 4

Which products have experienced a decline/increase in sales at spaza shops and small township retailers as a result of the opening of the shopping mall?

3.5 RESEARCH QUESTION 5

Has the number of small businesses in the vicinity of the shopping mall declined/increased since the opening of the shopping mall?
3.6 RESEARCH QUESTION 6

How are the spaza shops and township general dealers responding to competition from large retailers in the Jabulani shopping mall?

This research question tries to assess, among others, the following strategies as suggested in literature:

- changing assortment of merchandise
- refocusing on niche markets
- changing location
- Opening longer hours
- Lowering prices
CHAPTER 4

4. RESEARCH METHODOLOGY

4.1 INTRODUCTION

To fully understand the impact of shopping mall development in emerging markets and the response of small township retailers to competition a sample of township general dealers and spaza shop owners located around the Jabulani mall in Soweto was interviewed. This chapter describes the methodology used for the assessment. The method used to collect and analyse data is described below.

4.2 RATIONALE FOR RESEARCH METHOD

Welman & Kruger (2001) state that the quantitative approach strives to formulate laws that apply to populations (universally valid) and explains the causes of objectively observable and measurable behaviour while the qualitative approach allows the researcher to explore all kinds of unexplained as well as so-called previously explained but misunderstood phenomena. This research was qualitative in nature.
Patton (2002) argues that qualitative findings grow out of three kinds of data collection; in-depth, open-ended interviews; direct observation and written documents. Face-to-face interviews were conducted using a structured interview guideline with open-ended questions (see Appendix B). The purpose of the research was to gain insights and understanding of the impact of shopping malls and the decision-making behaviours of the spaza shop owners and small retailers in response to this impact.

4.3 STUDY AREA

This study attempted to conduct further research as was recommended by Lighthelm (2006) in his study of the impact of shopping mall development in the Soshanguve area.

Lighthelm (2006) recommended that a detailed evaluation of the impact of newly developed shopping malls on small township retailers and spaza shops in a rapidly developed area such as Soweto be done. The proposed study area was chosen as a result of this recommendation.

Map 1 in Appendix A shows the geographical location of the study area that is located 25km South West of Johannesburg. SOWETO was established in 1963 and its name is an acronym reflecting the townships location relative to Johannesburg: South West Township (www.sahistory.org.za, accessed
22/05/2007). Currently, Soweto forms part of the City of Johannesburg Metropolitan Municipality as Region D.

Map 2 in Appendix A shows the location of the Jabulani Shopping Mall relative to the five wards included in the study area (wards 16, 33, 34, 35, 36). Jabulani mall was opened in November 2006.

4.4 POPULATION AND UNIT OF ANALYSIS

The population size comprised of all the spaza shops and small township retailers located in wards 16, 33, 34, 35 and 36 of Soweto. A total of 35 671 households (131194 people) reside in these wards (www.demarcationboard.co.za, accessed 16/05/2007). The unit of analysis is spaza shops and small township retailers (general dealers).

The following business categories were excluded from the sample population:

- Hawkers
- Shebeens or informal liquor outlets
- Flea markets
4.5 SAMPLING METHOD

Zikmund (2003) identified two kinds of sampling techniques, i.e. probability and non-probability sampling. A non-probability sampling method was used in this research. This technique selects a sample on the basis of personal judgment or convenience, with the probability of being chosen of any particular respondent from the population being unknown (Zikmund, 2003). Due to a lack of a comprehensive list of small township retailers and spaza shops operating in the Soweto area, quota sampling was the most appropriate non-probability sampling method. Through this method the various subgroups within the selected population were represented on pertinent sample characteristics to the extent that the researcher deemed suitable (Zikmund, 2003).

The selection procedure was such that 2 spaza shops and 2 township retailers were chosen in each ward. This amounts to a total sample size of 20.

Table 3 reflects the sample size of 20 face-to-face interviews. The sample size per ward was 4. This sample size was chosen on the grounds of time and budget constraints.
Table 2: Showing selection of business units

<table>
<thead>
<tr>
<th>Ward Number</th>
<th>Total number of Interviews</th>
<th>Spaza Shops</th>
<th>Township retailers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td></td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>33</td>
<td></td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>34</td>
<td></td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>35</td>
<td></td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>36</td>
<td></td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>10</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

4.6 INTERVIEW GUIDELINE

Zikmund (2003) mentions that the interviewer is limited to the questions and how they are asked as well as the order in which they appear on the schedule. A semi-structured approach was followed, which provided flexibility in ensuring that when insightful comments were made through the interview, which were not replying to the question asked, they could be noted under general comments. Since the research was qualitative in nature, open-ended questions were asked. The questions were pre-tested by interviewing 2 spaza shop owners who provided meaningful feedback which was used to improve the final version of the interview guideline.

The interview guideline was structured as follows:
• Introduction which gave the background of the study to the interviewee
• Demographics of the spaza shop owner or small township retailer as well as age of the business
• Different questions relating to the research questions described in chapter 3

The face-to-face interviews were conducted at various locations including interviewee’s homes and their business premises.

4.7 DATA COLLECTION

All the owners of the spaza shops and small township retail shops were interviewed on a personal face-to-face format. The data-gathering tool used was an in-depth, semi-structured interview guideline with open ended questions shown in Appendix B. Since quota sampling approach was adopted, the business owners that were approached were those available within the given time and cost constraints. The interviews were scheduled in agreement with the respondents some time in advance.

The duration of the interview was an hour on average. The data from the interview was written by hand. The researcher’s interpretation of the answer was recorded and confirmed by reading it back to the interviewee to ensure that it was correctly noted.
4.8 DATA ANALYSIS

Eisenhardt (1989) explains that data analysis and interpretation forms a critical part of the research process. Content analysis method as described by Welman and Kruger (2001) was used to analyse all collected data. Welman and Kruger (2001) explain that this involves the content of these sources being examined systematically to record the frequency of themes and of the ways in which these themes are portrayed. The research questions form the framework for data analysis.

4.9 RESEARCH LIMITATIONS

- The chosen sample may not be representative of the population due to the non-probability sampling technique.

- The environment (location, time of the day, etc.) under which the interviews were conducted may affect the concentration of the business owners.

- The research design is limited by the bias in favour of surviving spaza shops and small township retailers (i.e. no efforts were made to include input of former spaza shop owners and small township retailers that had
seized operations or gone into bankruptcy because of the competitive impact of giant entrants)

- The data is from a single source, i.e. spaza shop owner or small township retailer

- The SOWETO situation cannot automatically be extended to other townships due to differences in local cultures and economics
CHAPTER 5

5. RESEARCH RESULTS

5.1 INTRODUCTION

The purpose of this chapter is to present the research findings and the interpretation of the results. The research data for 10 spaza shops and 10 township general dealers was divided into 3 categories. These were:

- Category 1 – Business Information and Demographics of the owners
- Category 2 – Research questions
- Category 3 – Additional findings

The following section will present these categories in more detail.

5.2 EXPLANATION OF RESEARCH RESULTS

The analysis of the raw data obtained from the interviews was done to enable the presentation of the results in the tabular format used in this chapter. The content analysis was done to determine the frequencies of constructs emanating from the raw data. All the responses from the interviews were analysed to identify constructs for each question. The constructs with the same meaning were then
grouped together and reported in a tabular format. The number of frequency that each construct was mentioned was then documented and counted. These frequencies were then used to calculate the percentages as seen in the tables presented from the next section below.

5.3 CATEGORY 1 – BUSINESS AND DEMOGRAPHIC INFORMATION

Business and demographic information gives an understanding of the sample that data was generated on. The research data was obtained using a sample of black spaza shop owners and small township retailers residing in Soweto only.

Table 3 below shows the age composition of business owners by type of business. This data gives an indication of the maturity of the owners of these businesses and this has implications on the experience of the owners in running their businesses. There were no spaza shop owners and general dealers that were less than 30 years of age. The age structure by business type is fairly similar in that 60% of spaza shop owners and 70% of general dealers were over 40 years of age.
Table 3: Age group of spaza shop owners and general dealers

<table>
<thead>
<tr>
<th>Age group Interval</th>
<th>Spaza Shops</th>
<th>General Dealers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>31 – 35</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>36 - 40</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>over 40</td>
<td>6</td>
<td>60</td>
</tr>
</tbody>
</table>

Spaza shop owners were more representative in the lower age category (31 – 35 years) (30% compared to 10%) while general dealers were more representative in the age group (36 – 40 years) (10% compared to 20%).

Table 4 illustrates the split in gender distribution in the sample. This shows that a significant number of spaza owners and general dealers were male.

Table 4: Gender Distribution of the Sample

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Spaza Shop</th>
<th>General Dealer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Male</td>
<td>6</td>
<td>60</td>
</tr>
<tr>
<td>Female</td>
<td>4</td>
<td>40</td>
</tr>
</tbody>
</table>

The gender distribution for Spaza shop owners consisted of 60% male and 40% female, while general dealers consisted of 70% male and 30% female.
Table 5 illustrates the period that the businesses had been in operation. This data was gathered to assess the level of maturity of the business. The figures confirm a fairly high level of maturity in that half of the spaza shops had been in operation for more than 5 years. This percentage is as high as 70% among township retailers.

Table 5: Period that business had been in operation

<table>
<thead>
<tr>
<th></th>
<th>Spaza Shops</th>
<th>General Dealers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1 year and more but less than 2 years</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>2 years and more but less than 3 years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3 years and more but less than 4 years</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>4 years and more but less than 5 years</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>5 years and more</td>
<td>5</td>
<td>50</td>
</tr>
</tbody>
</table>

On the other end of the scale, the results confirm some new entrants into spaza shops in that 30% of respondents had been in operation for less than 2 years. 20% of spaza shops and 30% of township retailers had been in operation for more than 3 years but less than 5 years.
5.4 CATEGORY 2 –RESULTS FOR RESEARCH QUESTIONS

The results for questions that were used in the interview guideline for research questions are answered in this section.

**Research Question 1:** Question 1 was used to evaluate this research question

**Question 1:** Does the mall impact your business negatively or positively? Please give reasons for your answer. This question was asked in order to understand how the spaza shop owners and small township retailers perceive the impact of the mall on their businesses. Table 6 shows the results of the impact of Jabulani mall as perceived by spaza shop owners and small township retailers on their businesses.

The responses were fairly similar for both spaza shops and general dealers. The results were therefore combined for both types of businesses. The majority of these businesses perceive the mall as negatively affecting their businesses (60% are negatively affected vs. 10% positively affected and 30% not affected). The table also indicates the reasons mentioned for the perceived impact. Those who said they are negatively affected by the shopping mall cited reasons that the customers are flocking to the mall (40% of the businesses) and that the shops at the malls sell cheaper products (20% of the businesses). Those that perceive the shopping mall as having a positive impact on their businesses cited reasons such as that the mall has brought traffic to their businesses (10% of the businesses)
and that their turnover has increased since the opening of the mall (10% of the businesses).

Table 6: Impact of mall on both spaza shops and general dealers

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negatively impacted</td>
<td>12</td>
<td>60</td>
</tr>
<tr>
<td>Positively impacted</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Not Affected</td>
<td>6</td>
<td>30</td>
</tr>
</tbody>
</table>

**Answer: Negatively impacted - Reasons**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers flock to the mall</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>Malls sells cheaper products</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Sales promotions and specials from the mall attract customers</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Novelty factor</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Shops at Mall offer wider variety of products</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Mall is popular</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

**Answer: Positively impacted - Reasons**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mall has brought traffic</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Turnover increased since opening of the mall</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Attracted customers of those businesses that have closed down since opening of mall</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

**Answer: Not Affected - Reasons**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers are still coming to buy</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Sells convenience items (e.g. small items), i.e. satisfies emergency/daily needs</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Turnover increased</td>
<td>2</td>
<td>10</td>
</tr>
</tbody>
</table>
Business location is far from the mall, i.e. business close to customers’ dwelling | 1 | 5
Not perceiving mall as competition | 1 | 5
Sells items that are not available at the mall (e.g. bunny chow) | 1 | 5

Those that perceive the mall as not affecting their businesses said that they still get support from customers despite the opening of the shopping mall (15% of the businesses) and that they sell convenience items which cater for customers’ emergency/daily needs (15% of the businesses).

**Research Question 2:** Question 2 was used to assess this research question.

**Question 2:** Has your monthly turnover increased or decreased since the opening of the mall? This question addresses the issue of spending by regular customers in that a change in turnover is an indication of a change in spending by customers.

Table 7 shows the results of the change in turnover of spaza shops and general dealers since the opening of the mall. 60% of spaza shop owners confirmed a decrease in their business turnover, whereas 40% reported an increase in their business turnover. On the other hand, 70% of general dealers confirmed a decline in the turnover of their businesses, while 10% reported an increase and 20% reported no change in their business turnover. Respondents were requested to provide an estimate of their business turnover before and after the
opening of the Jabulani shopping mall. The percentage decline/increase in turnover was recorded as shown in Table 7.

Table 7: Change in turnover by type of business

<table>
<thead>
<tr>
<th>Spaza Shops</th>
<th>General Dealers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Decreased</td>
<td>6</td>
</tr>
<tr>
<td>Increased</td>
<td>4</td>
</tr>
<tr>
<td>Remained unchanged</td>
<td>0</td>
</tr>
</tbody>
</table>

Answer: Decreased - % decrease in turnover

<table>
<thead>
<tr>
<th>Spaza Shops</th>
<th>General Dealers</th>
</tr>
</thead>
<tbody>
<tr>
<td>% decrease interval</td>
<td>Frequency</td>
</tr>
<tr>
<td>20 – 40</td>
<td>1</td>
</tr>
<tr>
<td>40 – 60</td>
<td>0</td>
</tr>
<tr>
<td>60 – 80</td>
<td>3</td>
</tr>
<tr>
<td>81 – 100</td>
<td>2</td>
</tr>
</tbody>
</table>

Answer: Increased - % increase in turnover

<table>
<thead>
<tr>
<th>Spaza Shops</th>
<th>General Dealers</th>
</tr>
</thead>
<tbody>
<tr>
<td>% increase interval</td>
<td>Frequency</td>
</tr>
<tr>
<td>20 – 40</td>
<td>1</td>
</tr>
</tbody>
</table>
40% (10% + 30%) of spaza shop owners reported a decline in turnover in the range of 20 – 80%, while 20% reported a decline in turnover in the range 81 - 100%. 70% of general dealers reported a decline in turnover in the range of 20 – 60%. Table 7 suggests that the negative effect of the shopping mall is more severe in the case of spaza shops than with small township retailers as can be observed from the higher range in percentage decline in turnover of spaza shops than small township retailers. Some spaza shop owners reported a percentage decline of 90% and 94%.

30% (10% + 10% + 10%) of spaza shops experienced an increase in turnover in the range of 20 – 100%, while 10% of the spaza shops reported an increase in turnover greater than 100%. General dealers (10%) reported an increase in turnover in the range of 81 – 100%.

It must be noted that businesses that reported an increase in turnover are those that perceived the mall as either not affecting them or positively impacting on their business. However, there was one spaza shop owner that reported a
decline in turnover but did not perceive the mall as affecting his business. In fact he attributed the decline in his turnover to competition from other spaza shops. All the other businesses that reported a decline in their turnover attribute this to the opening of the Jabulani shopping mall.

**Research Question 3:** Question 3 addresses the assortment of merchandise and product ranges stocked by the spaza shops and township retailers.

**Question 3:** Which products are the most important contributors to the turnover of your business? Respondents were requested to indicate the five most important products contributing to their turnover. This question was asked to understand the type of products that are major contributors to the turnover of these businesses. Figure 2 and 3 show the percentage of respondents who identified various products contributing the most to their turnover. The following four products appear to be the most important contributors for both spaza shops and general dealers:

- Bread (70% of spaza shops and 80% of general dealers)
- Soft drinks (80% of spaza shops and 50% of general dealers)
- Cigarettes/tobacco (50% of spaza shops and 60% of general dealers)
- Maize meal (40% of spaza shops and 80% of general dealers)
Figure 2: Most important products contributing to the turnover of spaza shops

- Soft drinks: 80%
- Bread: 70%
- Painkillers: 60%
- Cigarettes/tobacco: 50%
- Sweets: 40%
- Maize meal: 40%
- Potato Chips: 30%
- Eggs: 30%
- Milk: 30%
- Spices: 20%
- Matches: 10%
- Candles: 10%
- Tinned fish: 10%
- Meat: 10%
- Toilet roll: 10%

Figure 3: Most important products contributing to the turnover of general dealers

- Maize meal: 80%
- Bread: 80%
- Milk: 60%
- Sugar: 40%
- Meat: 30%
- Soap: 30%
- Cooking Oil: 20%
- Vegetables: 20%
- Flour: 10%
- King Kong Malt: 10%
- Sweets: 10%
Figure 2 and 3 show that although the assortment of merchandise is fairly similar for both spaza shops and small township retailers the relative importance of products differs quite substantially by type of business. Painkillers, potato chips, eggs and spices, for example, were mentioned by spaza shop owners as contributing substantially to business turnover but were absent from the top five products identified by small township retailers.

**Research Question 4:** Question 4 addresses this research question

**Question 4:** Which products have experienced the largest decline/incline in sales since the opening of the mall? This question was asked to determine the type of products that are mostly affected in terms of sale at spaza shops and general dealers since the opening of Jabulani mall. Respondents were asked to identify 3 products that were impacted on the most as a result of the opening of the shopping mall. Figure 4 shows that 67% of spaza shop owners report tinned foods and soap as experiencing the biggest decline in sales, while figure 5 shows that general dealers reported maize meal (71%) and soap and sugar (both 57%) as experiencing the largest decline in sales.
Figure 4: Products that experience the largest decline in sales for spaza shops

- Tinned foods: 67%
- Soap: 67%
- Cooking oil: 50%
- Maize meal: 50%
- Roll-on: 17%
- Polish: 17%
- Sugar: 17%
- Spices: 17%

Figure 5: Products that experience the largest decline in sales for general dealers

- Maize meal: 71%
- Soap: 57%
- Sugar: 57%
- Rice: 29%
- Cooking oil: 29%
- Eggs: 14%
- Stationery: 14%
- Meat: 14%
- Tinned food: 14%
It must be noted that the business owners that reported a decline in sales of certain products are those that perceive the mall as negatively affecting their businesses. Those that felt they were not affected by the shopping mall reported that no products have experienced a decline in sales but remained the same. Those that perceive the mall as positively impacting on their businesses reported an increase in sales of products such as maize meal, meat and vegetables.

**Research Question 5:** Question 5 assesses the issue of survival of businesses since the opening of the Jabulani shopping mall as perceived by the owners of the spaza shops and general dealers.

**Question 5:** In your opinion has the number of businesses increased, declined or remained the same since the opening of the Jabulani shopping mall? Please give reasons for your answer. This question was asked to determine whether some businesses in the vicinity of the shopping mall have survived or closed down, as perceived by the owners of spaza shops and general dealers, since the opening of the shopping mall. Table 8 shows that 85% of spaza shop owners and general dealers confirmed a decline in other businesses in the vicinity, while 5% confirmed an increase. 2% of spaza shop owners and general dealers said that the businesses in their vicinity have remained the same.
Table 8: Number of businesses that declined, increased or remained the same

<table>
<thead>
<tr>
<th>Answer</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declined</td>
<td>17</td>
<td>85</td>
</tr>
<tr>
<td>Increased</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>unchanged</td>
<td>2</td>
<td>10</td>
</tr>
</tbody>
</table>

Answer: Declined - Reasons

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to poor management</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Due to Jabulani Mall opening and people flocking there</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Due to Jabulani Mall – Shops at the mall are cheaper</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Some spaza shop owners and general dealers feared competition from the mall (i.e. lacked confidence)</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Due to Jabulani mall – people go there for the experience of the mall</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

Answer: Increased - Reasons

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a lot of unemployment and poverty so people open spaza shops to earn a living</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

Answer: Remained unchanged

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents did not observe neither increase nor decrease in the number of businesses</td>
<td>2</td>
<td>10</td>
</tr>
</tbody>
</table>

The respondents were requested to provide reasons for their answers. Those that reported a decline in businesses attributed the decline to the opening of the mall (50%). Others cited reasons such as poor management by those business that closed down or slacked (30%) and lack of confidence to face competition from the shopping mall (10%). Those that reported an increase attribute the
opening of new spaza shops to unemployment (5%). Respondents that reported no change in businesses in their vicinity gave no reasons other than that they have observed neither an increase nor decline in the other businesses in their vicinity.

**Research Question 6:** Question 6 addresses the issues of responses from the spaza shops and small township retailers to competition from the shops at the Jabulani shopping mall.

**Question 6:** Please state any specific response undertaken by you following the competition from larger retailers in the Jabulani Mall? This question was asked to determine what actions are taken by spaza shops and general dealers to respond to competition from the shopping mall. Table 9 shows responses undertaken by spaza shops and general dealers to remain in business. The competitive strategies adopted by both types of businesses are similar but do not rank the same. For example, 30% of spaza shops said that they satisfy customers’ emergency/daily needs by stocking convenience items such as small pack of powder soap (i.e. 500g vs 2kg), whereas only 10% of the general dealers adopt the same strategy. It is worth noting that all the spaza shop owners adopted a strategy of some sort to fight competition, while half of general dealers did nothing.
Table 9: Responses undertaken by small retailers to fight competition from large retailers

<table>
<thead>
<tr>
<th>Responses from Spaza Shops</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changed assortment of products (sells bunny-chows/'kotas', sorghum, malt, brown sugar, samp and mixed beans)</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Focuses on children as niche market (sells sweets, Mayo, ice cream, Bibo)</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Opens longer hours</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Customer intimacy (knows customers by names and always ask about family life and offers advice on product purchases)</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Satisfies customers’ emergency/daily needs by selling convenience products</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Ensuring that products that are in demand are always available</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Cleanliness</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Having specials during 3rd week of the month when people need to replenish their groceries (i.e. competitive pricing)</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Buying on credit allowed</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Refills/sells prepaid water for households through Rand water</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Printing, faxing and photocopying in shop</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Video games and pool tables for kids</td>
<td>1</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responses from General Dealers</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do nothing – in survival mode/just doing what they do</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Can to survive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Formed an association which enables them to buy in bulk from wholesalers at a reduced price/negotiate discounts with wholesalers</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Opens longer hours</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Buying on credit allowed</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Changed assortment of products – sells products that are not sold at the mall and that are liked by black people (i.e. samp, mixed beans, sorghum, brown sugar)</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Specials and promotions</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Satisfies customers’ emergency/daily needs by selling convenience products</td>
<td>1</td>
<td>10</td>
</tr>
</tbody>
</table>
5.5 CATEGORY 3 – ADDITIONAL FINDINGS

This section describes the researcher’s own observations and general comments from respondents. The respondents were asked to give any general comments at the end of the interview and some observations by the researcher were noted as general comments.

Observations and general comments

- Most spaza shops had higher stock levels and wider variety of products than general dealers
- Some spaza shops are registered for tax and those that were not registered had intentions of registering at a later stage. Therefore not all spaza shops are informal businesses
- There is competition amongst the businesses because there was more than one business in some of the streets
- Most general dealers do not offer self service (may be due to crime and additional costs associated with self service)
- Some of the business owners felt betrayed by the government for bringing “white businesses” to the township
- Some of the business owners felt that they don’t get support from banks because the banks believe that they will not survive the competition from the large retailers
6. DISCUSSION AND INTERPRETATION OF RESEARCH RESULTS

6.1 INTRODUCTION

20 Township small business owners (10 spaza shops and 10 general dealers) were interviewed to understand the impact of Jabulani mall on their businesses. This section pertains to the discussion of the research findings, with relevant references to the literature, where applicable for supporting evidence or contradiction. It is however important to note that the research data suggested the outcome of the research questions from the information provided by the respondents and not from the requirements as described in the literature. Comparing and contrasting the findings to the literature is an invaluable tool in determining new insights into academia.

The results were presented in tabular format by ranking order that made it easier to understand constructs as contributed by respondents. It is important to note that the highest ranked construct does not necessarily mean that it is the only contributor to the research regarding the particular subject (research question).

The results of the research discussed below are per research question as formulated in chapter 3.
6.2 RESEARCH QUESTIONS

6.2.1 RESEARCH QUESTION 1

Research question 1 is as follows: **Does Jabulani mall have a positive or negative impact on spaza shops and small township retailers?**

The results shown in table 5 above indicate that the shopping mall has both positive and negative impact on small township businesses.

Although the findings show that the majority of these small township businesses (60%) suffer negative consequences as a result the opening of the Jabulani shopping mall, they confirm the study by McGee (1996) as discussed in Chapter 2 that the large format retailers have positive consequences for some of the local small retailers. The findings of the present research reveal that contrary to popular belief, the entrance of large retailers in emerging markets has positive consequences for some of the local small businesses. The development of shopping malls has a pulling effect, i.e. the shopping malls attract buyers from outside of the township (who may be from other townships without shopping malls). This increases traffic and boosts sales of the local businesses.

In fact, the findings of Lighthelm (2006) that the small businesses located closer to the shopping mall are more negatively affected than the ones located farther
from the mall contradict the findings of this research. One spaza shop owner located less than a kilometre from the mall went as far as to say: “the mall is a blessing to my business because I have penetrated the market at the Jabulani flats”. This is one of the spaza shop owners that perceive Jabulani mall as having a positive impact on their business and one of the reasons he cited was that the mall has brought traffic and also most businesses closed down at the Jabulani flats and the customers from the Jabulani flats that used to buy from those businesses now buy from his business. However, the fact that other businesses at the Jabulani flats have closed down indicates a negative impact although it might not have had a negative impact on this particular business owner.

Lighthelm’s (2006) findings can be explained by stating that the customers residing closer to the mall find it convenient to go to the mall compared to those that reside farther from the mall because those that reside far from the mall have to walk longer distances. However, some of the businesses located closer to the mall thrive because of the traffic generated by the mall. For a business that is located closer to the mall, the customers will pass by the business on their way to the mall and back. Chances are likely that they may forget something from the mall and find it convenient to buy it from the small retailer who is conveniently closer at that time.

The reasons provided by the businesses that perceived the mall as negatively affecting their businesses are mainly, the novelty factor, cheap products and
variety of products available at the mall. This implies that the customers are attracted by the newness of the Jabulani shopping mall. However, this is a temporary situation because the consumers will get used to the mall and the convenience factor will surface where they go to the most conveniently located business to buy their products.

The reason of cheaper products at the mall is confirmed by Taylor and Archer (1994) that the competitive weapon of large retailers is low price. Also McIntosh (2002) observed that increase in supermarket competition arising from new retail development within disadvantaged urban areas leads to a reduction in the real price of food. Since the spaza shops and general dealers in the township sell mainly food items, it is no surprise that the majority of these businesses (60%) is negatively affected by the large retailers at the Jabulani shopping mall.

Some of the businesses owners that perceived the shopping mall as not affecting their businesses cited an increase in turnover as one of the reasons their business is not affected. Although this may be seen as a positive impact, it must be noted that the language barrier may have influenced the responses from respondents. Some people interpret the word ‘affected’ as synonymous to ‘negatively impacted’, so it might have occurred that when the respondent said that they are ‘not affected’ by the mall, they meant that they are not negatively affected which may be translated to positively impacted. However, to show a true
reflection of results, the reasons were classified as not affected, i.e. no impact on business.

In conclusion, the majority of spaza shops and general dealers perceive the Jabulani shopping mall as negatively affecting their businesses. The reasons cited for this perceived impact include cheaper products at shopping mall and the novelty factor.

### 6.2.2 RESEARCH QUESTION 2

Research question 2 is as follows: **Have spaza shops and small township retailers experienced a loss or increase in spending by their regular customers since the opening of the Jabulani shopping mall?**

This question was answered using turnover as an indicator of spending by regular customers.

The results shown in table 7 indicate that the majority of spaza shops and general dealers have experienced a loss in spending by their regular customers as observed by a decline in their business turnover. It is interesting to note that some of the spaza shops reported a percentage decline in turnover of more than 90%, whereas general dealers reported a percentage decline of not more than 40%. This means that the spaza shops are more severely affected by
competition (in terms of turnover) than the general dealers because of a larger decline in turnover compared to general dealers. This result may be the reason for a more active involvement by spaza shops in strategies to curb the effect of competition than general dealers (See section 6.2.7 below).

The turnover figures recorded should be interpreted as indicative of the possible trends emanating from shopping mall development in townships and not as exact figures. This is due to the fact that the recall of turnover 10 months ago (i.e. prior to the opening of the mall) is quite a time ago while the current turnover (the week/month preceding the interview) may still be unstable due to the novelty effect of the new shopping mall. Consumer spending behaviour may still adjust to the new retail environment.

The results of the present research support the findings of Litz and Stewart’s (1997) study which revealed a majority of respondents reporting a decrease in both sales and profits attributable to the presence of a large competitor. It is interesting to note however that one of the spaza shop owners did not attribute the decline in turnover to the opening of the Jabulani shopping mall, but to competition from other spaza shops.

The work that McGee (1996) has done indicated that some of small retailers experienced an increase in their annual revenues since the opening of a Wal-Mart store. This is well supported by the findings of the present research as
observed in table 7 that some spaza shops and general dealers reported an increase in their business turnover since the opening of the Jabulani shopping mall.

In conclusion, spaza shops experience a larger decline in spending by their regular customers than general dealers. This means that the customers are spending more of their money at the shopping mall (and general dealers) than they spend at the spaza shops.

6.2.3 RESEARCH QUESTION 3

Research question 3 is as follows: **Which products are the most important contributors to the turnover of spaza shops and small township retailers?**

Figures 4 and 5 show that the products that are the most important contributors to the turnover of spaza shops and general dealers are:

- Bread
- Maize meal
- Cigarettes/tobacco
- Soft drinks

According to Lighthelm (2004), the following products are the most important contributors to the turnover of spaza shops and general dealers:
- Soft drinks
- Bread
- Sugar
- Maize meal
- Cigarettes/tobacco

All the products mentioned by Lighthelm (2004) support the research results except for sugar which does not form part of the list for spaza shops. General dealers listed sugar as one of the most important contributors to their turnover (see figure 3).

Most of the products listed above as the most important contributors to turnover of spaza shops and general dealers including the ones listed in figures 2 and 3 are basic products that township households use on a daily basis. The results in figures 2 and 3 are supported in literature by Terblanche (1998) and Lighthelm (2004) that spaza shops and small township retailers stock a limited product range and concentrate primarily on daily necessities.

It was mentioned in the literature review that according to Terblanche (1998), township general dealers concentrated on food, but the low profit levels of food forced them to add increasingly more non-food items to their offering. The results in figure 3 contradict this assertion because there are no non-food items in the 5 most important products contributing to the turnover of general dealers, except
for cigarettes/tobacco. All other items are food items. This means that the assortment of merchandise of general dealers has changed since Terblanche’s (1998) observation. The reason for this change may be attributed to the sow movement of non-food items due to the effect of competition from the shopping mall.

On the contrary, there is evidence in figure 2 that non-food items form part of the 5 most important products that contribute to the turnover of spaza shops. These products include toilet roll, matches, candles and painkillers.

Lighthelm (2006) states in the definition of township general dealers that general dealers sell a wider range of food products than spaza shops as well as limited amounts of non-food items. This is supported by the results in figure 2 and 3. General dealers included, in their list, vegetables, cooking oil, flour and sugar as important products contributing to their turnover. These products were not listed by spaza shops as major contributors to their turnover, but appeared as products that experienced the largest decline in sales (see section 6.2.4 below).

In conclusion, spaza shops and general dealers sell basic products needed by the township households. Also spaza shops have, in their product assortment, more non-food items than general dealers. General dealers have a wider assortment of food products than spaza shops.
6.2.4 RESEARCH QUESTION 4

Research question 4 is as follows: **Which products have experienced a decline/increase in sales at spaza shops and small township retailers as a result of the opening of the shopping mall?**

Figures 4 and 5 above show that cooking oil, soap, maize meal, tinned food and sugar are products that have experienced the largest decline in sales for both spaza shops and general dealers. It is not surprising that most of the products listed as 3 items that have experienced the largest decline in sales do not appear in the list of products that are major contributors to their turnover. For example, spaza shops reported cooking oil, polish, sugar and roll-on as products that have experienced the largest decline in sales. These products do not form part of their major contributors to turnover. In the case of general dealers, eggs and stationery were not mentioned as major contributors to turnover, but were mentioned as experiencing the largest decline in sales. This is not a surprising result because slow moving items will not be major contributors to the turnover of any business.

The decline in sales of these products can be attributed to the fact that they are sold in the shopping mall and customers buy them at the shopping mall. However, there is evidence in figures 2, 3, 4 and 5 that some of the products that form the major contributors to turnover of one business are the products that
experience the largest decline in sales for another business type. For example, eggs are the major contributors to the turnover of spaza shops while they experience the largest decline in sales for general dealers. Another example is cooking oil which is the major contributor to the turnover of general dealers, but experiences the largest decline in sales for spaza shops. This suggests that the customers are not only buying the products that are declining in sales at the mall, but also from the other business type. Therefore there is competition amongst the spaza shops and general dealers. These businesses are cannibalising each other.

6.2.5 RESEARCH QUESTION 5

Research question 5 is as follows: **Has the number of small businesses in the vicinity of the shopping mall declined/increased since the opening of the shopping mall?**

It is important to note that the question refers to small businesses in general not specifically to small retailers. Table 8 shows that the majority of businesses (85%) in the vicinity of the shopping mall have declined since the opening of the Jabulani shopping mall. It was also reported that there was an increase in the number of businesses (5%). However, this was not attributed to the opening of the shopping mall, but to high unemployment rate in the country. This finding confirms the assertion by Terblanche (1998) that during times of high
unemployment people opened spaza shops to earn a living. Results in table 5 also support this because some of the spaza shops in the sample were in operation for less than 2 years, an indication of new entrants in the spaza shop market despite opening/building of new shopping malls in the township. This means that the dynamics and reasons for opening spaza shops have not changed since Terblanche’s (1998) observation.

The majority of respondents (40%) attribute the perceived decline in businesses to the shopping mall. Reasons include, amongst others, cheaper products at the mall, leisure shopping environment and lack of confidence from small businesses to face competition from the shopping mall. 30% of respondents attribute the decline to poor management of these businesses. This means that the opening of the shopping mall is not the only contributory factor in the decline of small businesses in the township.
6.2.6 RESEARCH QUESTION 6

Research question 6 is as follows: How are the spaza shops and township general dealers responding to competition from large retailers in the Jabulani shopping mall?

Table 9 shows that there are various strategies adopted by spaza shops and general dealers in response to competition from large retailers at the Jabulani shopping mall. It was mentioned in the literature review that Peterson and McGee (2000) suggested that small retailers are encouraged to engage in activities such as pruning products, increasing promotional efforts and adding new products to reduce competitive pressures from large retailers. The research results show that these strategies are adopted by spaza shops and general dealer. The various strategies adopted by spaza shops and general dealers are discussed below.

6.2.7.1 Pruning products

Table 9 shows that spaza shops (30%) and general dealers (10%) satisfy customers’ emergency and daily needs by selling convenience products. Since these businesses serve the emerging consumers, they recognize that this type of consumer makes small daily purchases and they therefore serve their customers’ daily needs by “fractioning” products. One spaza shop owner provided an
example of candles for illustration: “My customers are poor people and cannot afford expensive products. Therefore I stock candles in a pack and sell them in singles, sometimes I cut one candle in half for half a price of one candle, you can’t get that at Shoprite”. Other examples include selling loose cigarettes, a single tomato or half a loaf of bread. Small retailers provide customers with exactly the desired quantity, no matter how small the amount. This is good for poor consumers because they may feel ashamed when asking for small quantities in large chain supermarkets.

The smallest available size of powdered soap in large chain supermarkets is 2 kilograms. Small retailers on the other hand commonly carry sizes as small as 250 or 500 grams.

6.2.7.2 Increasing promotional efforts

Table 9 shows that 10% of spaza shop owners have specials and promotions during the third week of the month when customers need to replenish their groceries. On the other hand, 10% of general dealers have sales and promotions on items that they buy at a discount from wholesalers. This competitive pricing strategy ensures that these businesses attract customers for the sustainability of their businesses.
6.2.7.3 Adding new products

Table 9 shows that spaza shops (30%) adopt the following strategies to reduce the competitive pressures from large chain retailers a Jabulani mall:

- They formed strategic partners with Rand water to sell the prepaid water coupons. This increases traffic flow to the shops
- Some spaza shops have printing, faxing and photocopying facilities at their premises. Adding these new products and services assists in bringing in customers to the shop and serve as additional source of revenue.
- Also some spaza shops have video games and pool tables at their premises. This ensures that children can play and is an additional source of revenue.

6.2.7.4 Doing Nothing

As mentioned in chapter 2, a study conducted by McGee (1996) revealed that the small retailer both those that were negatively affected and those that were positively affected by Wal-Mart’s entry into the local marker made no dramatic adjustments to their competitive strategy. These findings are supported by the research results as shown in table 9 that 50% of general dealers prefer to do nothing about the competition from the large retailers from Jabulani mall. One
small retailer expressed his statement of apathy and said: “I live from hand to mouth, there’s nothing I can do”.

It is evident from table 9 that spaza shop owners are more actively engaged in implementing strategies to help their businesses to stay afloat than general dealers. All spaza owners that were interviewed deployed some strategy to thrive, while half of general dealers did nothing. As was seen in section 6.2.2, the spaza shops experience a greater decline in their turnover than general dealers; hence they feel a greater need to deploy strategies to reduce the effect of competition than general dealers.

6.2.7.5 Changing product mix

Litz and Stewart (1997) studied six management responses of which changes in product mix was one of them. Their study revealed that half of all respondents reported undertaking none of these actions. The present research findings contradict these findings. 50% of spaza shops and 10% of general dealers changed assortment of merchandise to suit the township consumer. They sell products that are not available at the mall such as bunny chow (kota), sorghum malt, mabele, samp, brown sugar and mixed beans.
6.2.7.6 Refocusing on niche markets

Another strategy adopted by spaza shops (50%) is refocusing on niche markets. Spaza shops focus on children as their niche market. They sell children’s products such as Bibo, Thirst Buster, sweets, Ice cream and Mayo. Taylor and Archer (1994) support this strategy with their assertion that small firms should focus their competitive efforts on target markets or niches that their larger competitors will likely ignore.

6.2.7.7 Product specialisation or customisation

Covin and Covin (1990) suggested that small firms should compete on customer service and product specialisation or customisation, rather than price. The research findings support this as indicated in table 9 that 40% of spaza shop owners adopt this strategy as a response to competition from large retailers. As mentioned before small businesses fraction products on the smallest standard size, break bulk and customise products to suit the customer’s needs.

6.2.7.8 Customer focus and intimacy

It must be noted that amongst spaza shop owners, customer focus was a strategy adopted by all spaza shop owners who were positively affected or not affected by the shopping mall. This strategy was not adopted by the spaza shop
owners that were negatively affected except only one. Spaza shops benefit from the presence of the owner who can tailor their business model to local needs and provide a “personal touch”. In implementing this strategy, spaza shop owners claim to know the majority of their customers by the name including their family members. The researcher observed some spaza shop owners during the interviews making a point to engage and greet close to every customer who entered the shop. This provides emotional proximity and makes the customer feel comfortable.

6.2.7.9 Coexistence strategies

In the case of general dealers, 1 in every 10 was perceived the mall as positively affecting their business. The general dealer that was positively affected by the mall adopted a combination of different strategies such as competitive pricing and different merchandising tactics as suggested by McGee and Rubach (1997) that such tactics are most effective in hostile environments. This particular general dealer sold products that he stocked at a discount from wholesalers cheaper, installed a bakery in his shop and renovated the building to improve the self service section of his business. This strategy was not adopted by other general dealers including those that perceived the mall as not affecting their business.
6.2.7.10 Offering credit to customers

Another strategy adopted by spaza shops (10%) and general dealers (10%) is offering credit to customers. Credit is offered in two forms – informal credit where the shop owner writes the name of the debtor in a small notebook, or when the customer is short of small amounts of cash at the register and is allowed to pay the next time. This method of offering credit acts as a sort of loyalty program.

In conclusion, there is active engagement of small township retailers and spaza shops in devising strategies to reduce competitive pressures from large retailers at the shopping mall. Determining the effectiveness of these strategies is outside the scope of this research. The competitive impact of large retailers at Jabulani mall acts as a stimulus to induce the observed competitive responses from spaza shops and general dealers. It is evident that the spaza shops and general dealers recognise the competitive pressures from large retailers at the shopping mall and are making an effort to differentiate their businesses from these large retailers at the shopping mall.
CHAPTER 7

7. CONCLUSION AND RECOMMENDATIONS

7.1 MODEL OF THE FINDINGS

The key findings in this research were brought together and presented in a model as illustrated in figure 6. The model is discussed below.

This research focused on two aspects, namely, the impact of competition from large retailers at Jabulani mall on spaza shops and general dealers and the response of these businesses to the competitive pressures from the large retailers at Jabulani Mall. The response of these small retailers is stimulated by the impact from the large retailers. The two focal areas (impact and response) are discussed below:

7.1.1 Impact of shopping mall on spaza shops and general dealers

The impact of large retailers from Jabulani mall on spaza shops and general dealers was assessed based on perception from business owners, turnover, products and perception on decline in number of small township businesses. The key findings are as follows:
• **Perceived impact:** The majority of the spaza shop owners and general dealers perceive Jabulani shopping mall as negatively impacting on the businesses because the shops at the mall sell cheaper products and that the shopping mall is a new concept in the township and this is the reason customers flee to the shopping mall.

• **Turnover:** Turnover was used as an indicator of spending by regular customers. The key finding is that there in a larger decline in spending by regular customers at spaza shops than at general dealers (i.e. larger decline in turnover of spaza shops than general dealers). This means that since the opening of the shopping mall, the customers are spending less at spaza shops (and general dealers) but more at the shopping mall.

• **Products:** Cooking oil, soap, maize meal, tinned food and sugar are products that have experienced the largest decline in sales since the opening of the Jabulani shopping mall for both spaza shops and general dealers. Some of these products are major contributors to the turnover of these businesses. Hence an observed significant decline in turnover of these businesses.

• **Number of businesses:** There is a decline in the number of businesses since the opening of the shopping mall. The shopping mall is not the only contributing factor to this decline but poor management of these businesses is also a contributing factor.
7.1.2 Responses of spaza shops and general dealers to competition

Competitive strategies adopted by spaza shop and general dealers in response to competition from large retailers at the Jabulani shopping mall are:

- Product Customisation
- Refocusing on niche markets and niche products
- Customer focus

Spaza shops are more actively involved in implementing these strategies than general dealers. In linking the responses to impact, the general dealers are less affected in terms of turnover than spaza shop and therefore less active in strategy implementation to curb competition.
Figure 6: Model of the findings

Jabaluni Shopping Mall

IMPACT
- Turnover
- Products
- Decline in number of businesses

RESPONSES

Spaza Shops
- More negatively affected in terms of turnover

General Dealers
- Less negatively affected in terms of turnover

Spaza Shops
- More actively involved in implementation of competitive strategies

General Dealers
- Less involved in implementation of competitive strategies
7.2 RECOMMENDATION TO SPAZA SHOPS AND GENERAL DEALERS

Spaza shops that focused on customer service were either not affected by the mall or positively affected. On the other hand, general dealers that deployed complex pricing tactics and creative merchandising practices experienced an increase in their turnover and perceived the mall as not affecting them. I therefore recommend that other spaza shops and general dealers employ these strategies in their business practices as these seem to be associated with good results. It must be noted though that there is not sufficient evidence to conclude that these strategies are effective. The recommendation is solely based on the observation from the limited data that was gathered during this research.

7.3 RECOMMENDATION TO GOVERNMENT INSTITUTIONS AND NON PROFIT ORGANISATIONS

The results of this research show that spaza shop owners and general dealers are able to devise competitive strategies that are in line with best practice as suggested in literature. However, most of these business owners have a poor education background and operate on gut feel. It would be valuable if government and other non-profit organisations get involved in the training of the individual owners on business skills. This kind of knowledge if applied correctly can ensure the survival of these businesses.
7.4 RECOMMENDATIONS TO LARGE RETAILERS OPERATING IN TOWNSHIPS

It is not good for large retailers to be perceived as negatively impacting local businesses. This is especially not good for their image to be viewed as contributing to unemployment and the closing down of township businesses. I recommend that, as part of a corporate social responsibility initiative, large retailers must work in partnership with the small retailers and supply a certain assortment of merchandise at a discount to these small businesses. In so doing, the large retailers will be seen not as a competitor but as a helping hand in uplifting the community.

7.5 RECOMMENDATIONS FOR FUTURE RESEARCH

- It was clear from the results that various strategies were deployed by spaza shops and general dealers to remain in business. However it was not clear as to whether these strategies are effective or not. Further research must be done to evaluate the effectiveness of these strategies.

- This research excluded the owners of businesses that have closed down. It would be interesting to find their perspective of the impact of large retailers on businesses in the township. Therefore future research of this nature must be done to involve businesses that have closed down.
Also, this research can be complete if the perspective of the consumer is taken into account. Future research must be done to investigate the consumer behaviour of township dwellers. This would give an understanding of their purchasing decisions and thus assist small retailers in the township to tailor their strategies accordingly.

This research assumes that there are no competitive dynamics amongst the township retailers. This assumption is flawed because these businesses sell similar products and are bound to compete amongst one another. Therefore it is imperative that further research be conducted on the dynamics of the competition amongst township retailers.
8. REFERENCES LIST


www.sahistory.org.za (accessed 22/05/2007)

Zikmund, W. G (2003) *Business Research Methods*. Oklahoma State University, USA
9. APPENDICES

9.1 APPENDIX A: MAPS

Map 1: Map of the City of Johannesburg by regional boundaries

Map 2: Soweto Municipal Wards

= Jabulani Shopping Mall

Source: City of Johannesburg 2006 (Corporate GIS)
**9.2 APPENDIX B: INTERVIEW GUIDE**

BACKGROUND: Thank you for giving me this opportunity to interview you. I am an MBA student at Gordon Institute of Science (GIBS). My research topic is “The Impact of shopping mall development on small township retailers”. This interview is conducted with aim to understand the impact of large retailers in the shopping malls on small retailers in the Township and their response thereof. The interview will be treated as confidential, your name is not necessary. The results of the research can be made available to you should you require it.

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INTERVIEW QUESTIONS

1. Does Jabulani mall affect your business negatively or positively? Please give reasons for your answer

2. Has your monthly turnover/sales increased or decreased since the opening of the shopping mall?
Please give an estimate of your turnover/sales before the opening of the Jabulani shopping mall:

_________________________________________________________________________

Please give an estimate of your average monthly turnover after opening the of the Jabulani shopping mall:

_________________________________________________________________________

3. Which products are the most important contributors to the turnover of your business?

Please list 5 of them:

_________________________________________________________________________

_________________________________________________________________________

_________________________________________________________________________

_________________________________________________________________________
4. Which products have experienced the largest decline/incline in sales?

Please list 3 of them

_____________________________________

_____________________________________

_____________________________________

5. In your opinion has the number of businesses increased, declined or remained the same since the opening of the Jabulani shopping mall? Please give reasons for your answer

_____________________________________

_____________________________________

_____________________________________

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6. Please state any specific response undertaken by you following the competition from larger retailers in the Jabulani Mall?

Probes include:

i. changed the assortment of merchandise

ii. Refocusing on the niche market/target market

iii. Changing Location

iv. Opening for longer hours
v. Lowering prices

General Comments

(Thank you for allowing me the time to conduct this Interview)