

**The inhibitors of supply chain collaboration in the  
informal sector retail in Soweto**

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of the requirements for the degree of Master of Business  
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## **Abstract**

The purpose of this study is to explore the inhibitors of supply chain collaboration in the informal sector retail in Soweto. This qualitative study draws from supply chain management and collaboration literature. The resource based view and stakeholder theory are explored in the attempt to understand why given the benefits of supply chain collaboration, the practice is not adopted to ensure firms sustainability in the informal sector.

South Africa's services sector has been identified as the sector to absorb the majority of the job losses experienced in the manufacturing industry. A significant part of this sector is made up of retail operations, which exist in both the informal sector and the formal sector. With extensive research on supply chain, supply chain collaboration and stakeholder relationships done in formal sector firms, this research aims to look at the concept of supply chain collaboration in informal sector retail in Soweto. The survival of informal sector firms is paramount as literature shows us that in emerging countries such as South Africa the informal sector absorbs a large part of the employed population.

17 in-depth interviews were conducted. The respondents were selected using snowballing technique to identify interviewees who could shed light on the topic. A total of 13 interviews were included in the study.

Findings were that there are inefficiencies in the current way in which informal sector retailers interact with their supply chain. Having considered the concept the perceptions on the concept as a solution to sustainable business was viewed as positive. Interviewees showed an interest in future collaboration but only after the main inhibitor of supply chain collaboration, trust, is addressed using means suggested in the study.

## **Keywords**

Supply chain

Stakeholder trust

Informal sector

Supply chain collaboration

## Declaration

I declare that this research 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 at any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Motsabi Ndebele

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\_\_\_\_November 2018

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**Chapter 1: Introduction to the research problem**

## 1.1. Introduction

The purpose of this study was to investigate the inhibitors of supply chain collaboration between retailers operating in the informal sector. The study explored the preservation of informal sector enterprises through the benefits highlighted in supply chain collaboration literature. The preservation of these firms is paramount as they currently contribute to employment in the South African economy. Furthermore, the National Development Plan (NDP) has identified the services sector which includes retail, both formal and informal, as the next best option to absorb the labour force due to South Africa's dwindling manufacturing sector. The services sector is predominantly retail and cannot bear the burden of absorbing all manufacturing job losses and new entrants into job markets. Therefore, the survival of both formal and informal retail firms in the context of the economy is important for job creation and preservation in South Africa (Hartigh, 2015).

## 1.2. Employment potential of the informal sector – an international perspective

A large informal economy is a characteristic of many developing countries and is a source of employment for a significant portion of a developing countries' employment force (Restrepo-Echavarria, 2014). This is in line with Bosch and Esteban-Pretel (2012), estimation that between 30 and 70 % of the labour force in emerging economies is employed in informal jobs which is further supported by an estimated 50 % of employees employed in the informal sector in Latin America (Fernandez & Meza, 2015). Studies that especially focussed on Latin America have identified the informal sector as a platform which unskilled, fresh-from-school workers use to gain experience in the hope of entering the formal sector (Tumen, 2016). This illustrates the importance of preserving and growing enterprises in the informal sector to preserve these jobs.

Grant, as quoted in Rogerson and Christian (2015) suggest that, from an African perspective, the majority of an urban population workforce work outside the formal sector, although no estimation on the sector's size is given. Ngumkeu (2014) suggests in an economic analysis study of informal sector heterogeneity, that urban employment in developing countries is at between 60 and 90 % which is in line with Grant's perspective. This is the highest estimation found with regards to this study. This estimation does however show the potential of the sector to create employment and thus contribute to local economic development (LED). While considered to be a contributor to LED, firms in the informal sector are however characterised by lower productivity levels as compared to their formal counter parts.

It was therefore paramount with the evident size of the informal sector in which informal retailers currently operate, that firms explore the possibilities of concepts such as supply chain collaboration to assist in increasing the productivity of informal sector retail stores. Before the concept of supply chain collaboration was assessed, an explanation on the informal sector was needed, looking into an overview of the sector's characteristics.

### 1.3. An overview on the characteristics of the informal sector

Swanson and Bruni-Bossio (2018), through their observations of informal economy literature suggest that there has been a focus on legally compliant and registered economies. While firms operating in the formal economy are regulated, firms operating in informal economies differ in levels of regulation with some activities going undocumented by regulators (Swanson & Bruni-Bossio, 2018).

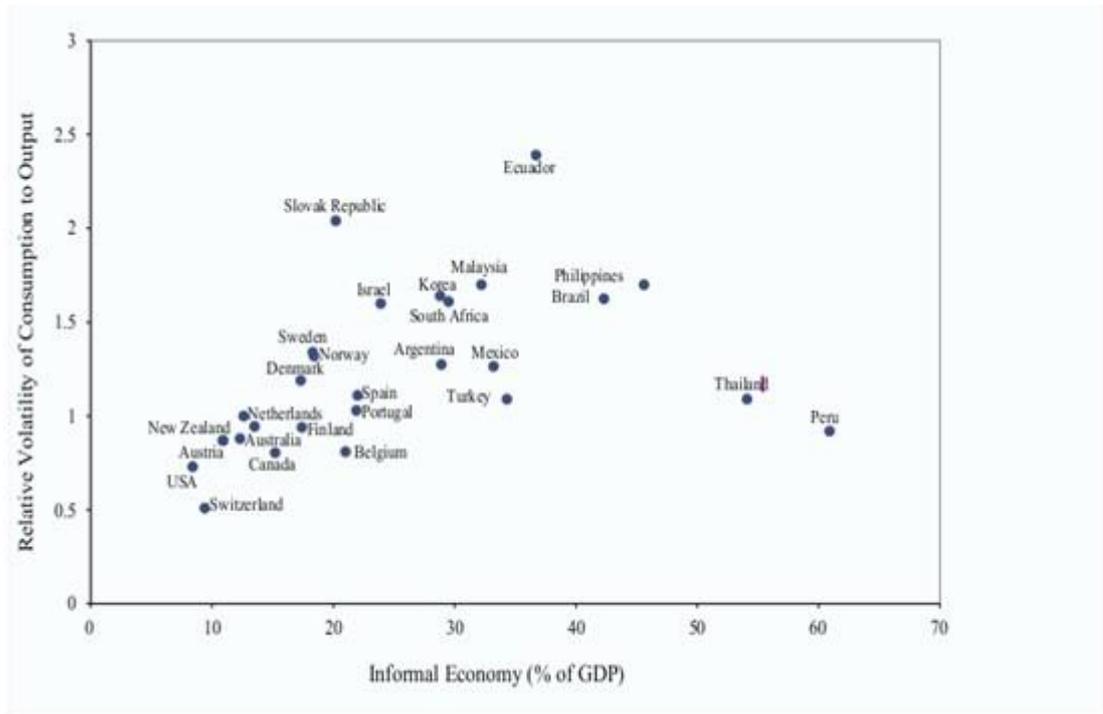
La Porta & Shleifer (2014), suggest that the existence of the informal sector is a result of poverty. Informal sector firms are therefore characterised as small, inefficient and run by entrepreneurs who seldom have the skills required to run firms productively (Rothenberg, Caduh, Burger, Chazali, Tjandraningsih, Radikun, R., . . . Weiland, 2015). These characteristics make it more difficult to monitor the informal sector's production of enterprises (Baksi & Bose, 2016).

The study aimed to highlight the need for a solution to be found to assist in the preservation of informal sector firms, given the circumstances in which they operate through exploring the inhibitors of supply chain collaboration in the informal sector. However, before delving into how the benefits of supply chain collaboration can assist in alleviating the issues faced when operating in this sector, a look at the estimated size of the informal sector is observed using gross domestic product (GDP) as an indicator was presented in the following section.

### 1.4. Size of the informal sector

The exact size of the informal sector is unknown, however, Williams, Shahid and Martinez (2016) estimate informal economies in developing countries at between 40 to 60 % of GDP while around 10 to 15 % of GDP in developed economies. Schneider (as quoted in Restrepo-Echavarria, 2014) however estimates the size of the informal sector

in emerging markets in a wider range of between 20 to 60 % of GDP while between 8 to 23 % of GDP in developed economies. According to Stats SA (as quoted by Skinner, (2016) South African (SA) informal enterprises contribute only 5.2 % to SA's total GDP which is in stark contrast to Restrepo-Echavarria's (2014) estimate of between 28 to 30 % which is in line with the author's estimation on informal economy size contribution (Skinner, 2016). This estimate however falls outside that of Williams et al (2016).



**Figure 2. Relative volatility of consumption to output versus the size of the informal economy as % of GDP for the period 2002 to 2003 (Rothenberg et al., 2015).**

Figure 2 estimates South Africa's economy as similar to that of Korea and Argentina at between 28 to 30 % of total GDP at a relative volatility of consumption level of between 1.6 and 1.7 (Rothenberg et al., 2015). William et al. (2015) however disagree with this estimate and argue that this might be as a result of not verifying the data with other sources or that the data is outdated as it is 2002/2003 estimates (Rothenberg et al., 2015).

With the reported South African informal sector estimated by a South African statistic agency at 5.2 % which, according to William et al. (2015) and Restrepo-Echavarrias (2014), falls even below the estimated 10 to 15 % and 8 to 23 % GDP in developed countries. The evident difference in estimations could be as a result of the informal

sector's characteristic of being difficult to fully account for due to the informal nature of enterprises in this sector (Rothenberg et al., 2015).

For the purpose of this study, Restrepo-Echavarrias' (2014) estimate was adopted for the reasons that it is more recent data. Furthermore, it is a South African generated estimate which was established using statistics from Stats SA. Looking at the estimated figures by Rothenberg et al. (2015) there is indeed value to be unlocked in the informal sector and therefore understanding and finding ways to preserve firms in the sector is of importance.

### 1.5. Informal sector: A South African perspective

Examples of firms found in the informal sector are transport providers, tailors, mechanics and the focal firm of this study, namely grocers (Nguimkeu, 2014). Similar to Nguimkeu's (2014) study on the informal sector, firms in South Africa's informal sector include entrepreneurial activities in transport, waste management and trade in medical plants, tourism and retail (Crush, Skinner & Abel, 2015). This sector has in recent years been identified for regulation by government in the aims of improving the aspects mentioned by Swanson and Bruni-Bossio (2018) which were legal control, collection of taxes and administrative fees, management of foreign nationals and labour relations. The different levels of regulation found this industry have thus far benefited those who are active in the industry as they avoid the payment of taxes and administration fees brought about by trading licences. Therefore, news of imminent regulation has raised concerns on the limitation of firm flexibility along with increased cost implications (Crush et al., 2015).

The regulation of the informal sector is of importance in order for projects such as the NDP to succeed in unlocking the full employment and economic potential of this sector; the sector's activities need to be measured. The success of supply chain collaboration initiatives also relies on the effort's ability to be measured to see if firms who are engaged in it are indeed reaping the benefits. Therefore government regulation of the sector would assist in measuring the activities and identifying measures to assist in alleviating the sustainability problems experienced by firms such as retail firms in the informal sector.

### 1.6. Retail in the informal sector

Van Lin and Gijbrecchts (2014) suggest that, in order for retailers to remain competitive, there needs to be an understanding on why the customer purchases at one outlet rather than another. These factors which influence customer loyalty to an outlet include the outlet's proximity to its clients, product and service quality. The results of the study found that store loyalty is a significant determiner in the store of choice. There is therefore an advantage to collaborative supply chain management in understanding market research. Factors such as household, size, income, ages and primary shopper roles, understanding the shopping patterns of households and understanding the local market in terms of trends, number of competing outlets and if location and travel distance indeed have an effect on store loyalty can benefit efforts (Van Lin & Gijbrecchts, 2014).

This understanding of the consumer, sourced from information shared in supply chain collaboration, allows stores that are in the proximity of the customers to offer better customer service, therefore eliminating the need for customers to shop elsewhere. By ensuring that customers keep their loyalty and support for stores, the possibility of the store surviving, and the preservation of jobs are increased. It is therefore important that the problem is understood in order for government, informal retailers, suppliers and the community to formulate solutions on how to preserve informal sector retail stores.

### 1.7. The problem

Acts and Virgill (as cited in Poole, 2018) observed that institutions formed to address economic development in developing countries are turning towards dedicating efforts to stimulate and support the emergence of the small and medium enterprise sector (SMMEs). These support initiatives are believed to have an influence on increasing productivity growth while producing employment and reducing poverty (Poole, 2018). Such an initiative in the South African context is the National Development Plan (NDP) which highlights government's plan to support small to medium enterprises (Hartigh, 2015). However, while such initiatives are in the pipeline small to medium enterprises operating in the informal sector are at risk of closure.

With this sector recognised as part of the resolution to South Africa's unemployment problem and an initiator of LED by the National Development Plan (NDP), it is of importance to ensure the sustainability of SMMEs in informal industries. The economy needs to generate enough economic opportunities and a supportive system of social protection and services to sustain the population. In 2010 the NDP estimated unemployment at 25 %. It aimed to have reduced this number to 20 % by 2015 (Hartigh,

2015). Although earmarked for development, currently little has been done to effectively assist in the preservation of informal sector industries with informal firm closures contributing to the high unemployment rate. The NDP has thus far failed in reducing unemployment as it currently sits at a 26.7 % as at January 2018 (Moyo, 2018).

The NDP has emphasised the integration of supply chains as part of the enhancements essential to support in the growth of SMMEs and growing the role in non-traditional industries such as the informal retail sector. With manufacturing in South Africa as in other similar developing countries generating fewer jobs, at least three quarters of new employment opportunities are found in domestically orientated services such as retail (Hartigh, 2015).

This study aimed to contribute to the body of knowledge by exploring supply chain collaboration and the ability of informal retail in Soweto to adopt engage in this practice in order to maintain the sustainability and growth of informal retail firms, thus preserving already scarce jobs and contributing positively to LED. This collaboration would assist in the collective resource allocation of competing with market threats of foreign owned informal retailers and formal supermarket chains entering the market. Understanding the inhibitors can assist government and even big businesses who supply to firms in the informal sector to assist in preserving firms in this sector. But most importantly, it may raise awareness amongst informal sector retailers that a competitive advantage is achievable through working together.

### 1.8. The research problem

With new players entering Soweto's retail sector, Van Lin and Gijsbrechts (2014) emphasise that the war on prices has intensified in the retail industry. This increased pressure has had an adverse effect on retail margins. In order to survive the competition, both formal and informal retailers need to be innovative in restructuring their operations to preserve their profits and thus gaining a competitive advantage. The reality is that in such competitive climates some retailers have been left with no choice but to downsize, closing operations altogether or purchasing more outlets if their business model allows for expansion (Van Lin & Gijsbrechts, 2014).

This study will attempt to gain a deeper understanding on what shop owners view as the inhibitors of supply chain collaboration:

Through exploring the retailer's current supply chain process this research aims to:

1. Establish how retailers are currently navigating their supply chains.
2. Understand retailers' views on supply chain collaboration.
3. Evaluating the willingness firms consider participating in supply chain collaboration.
4. Observing from previous accounts which aspects of supply chain collaboration from the perspective of firms were positive and negative.

To understand the concept of supply chain collaboration in more detail, literature was studied and themes were summarised in the form of a literature review.

## **Chapter 2: Literature review**

### **2.1. Introduction**

The importance of small firms in the contribution to the growth of economies and job preservation has been discussed widely in literature. Small firms in many economies are an important contributor to both emerging and established economies (Cambell & Park, 2017; Poole, 2018). In the United States (US) economy, small firms create employment for 50 % of the workforce and are the main creator of new jobs in the economy (Cambell & Park, 2017). With such a huge impact on employment in both established and developing economies, preserving SMMEs is of great importance. In preserving these firms, the understanding of why firms fail is important. Cambell and Park (2017) suggest two main factors that contribute to the failure of firms. These can be financial or nonfinancial in nature. Sourcing literature of the effects of these factors in informal sector supply chain collaboration was however difficult and therefore an opportunity arises to add to explore these factors in the context of relationships. By reducing the effects of these factors, several authors suggest the use of leveraging of relationships with stakeholders to gain opportunities that will assist in the preservation of firms (Shahzad, Mousa & Sharfman, 2016; Cambell & Park, 2017).

Having explained the problem and the context in which it occurs in the previous chapter, literature was sought to gain more insight into seven themes. Firstly, the characteristics of the informal sector were explored. Secondly, the concept of supply chain management was explored. Thirdly, the concept of collaborations was explored, looking into a resource-based view theory. Fourthly, the behaviours of stakeholders were explored. Fifth, to be observed was the concept of trust in relationships. Sixth, to be looked at were

the prerequisites of supply chain collaboration while themes seven and eight looked at the potential advantages and disadvantages of such collaborations respectively.

## 2.2. Characteristics of the informal sector

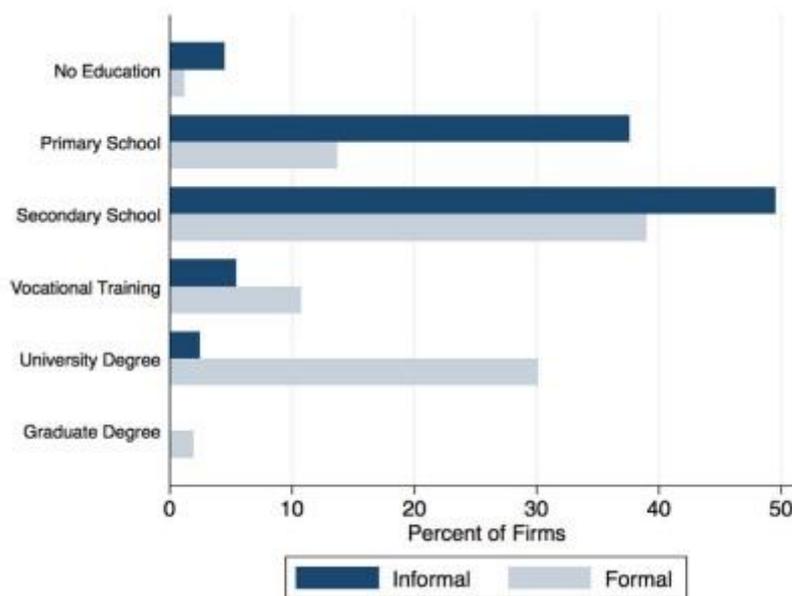
Vast research has been conducted on characteristics of the informal sector in both emerging and established economies. Several characteristics have been highlighted in literature. The first characteristic is the differing levels of legislation compliance evident in informal sector firms (Swanson & Bruni-Bossio, 2018). Darbi et al. (as quoted in Swanson & Bruni-Bossio, 2018) suggest that the informal sector firms differ to formal sector firms in the extent in which they are regulated, with regulation the major differentiator of whether a firm is classified as formal or informal. The regulatory nature of the informal sector is further discussed by Baksi and Bose (2016) who sheds light on the potential reasons of the lack of legislative compliance in the informal sectors. The authors speculate that compliance in informal sectors is minimal due to firms being small, geographically spread out and numerous with little to no links to state entities (Baksi & Bose, 2016). Another perspective given is that the link between state entities who govern regulation and informal sector firms is weak as a result of a second characteristic which introduces the underground nature of the informal sector (Restrepo-Echavarria, 2014).

The underground nature of the informal economy is as a result of undocumented or unregistered economic activities (Swanson & Bruni-Bossio, 2018). These undocumented activities differ in their levels of legislation compliance. Swanson and Bruni-Bossio (2018) highlight three levels of the informal sector. The first level is described as the semi-legal economy due to its socially excepted trades. This sector, is closely affiliated with developing countries (Swanson & Bruni-Bossio, 2018). It includes outputs that are redistributed legally through legitimate market interactions but are not recorded in national accounts (Swanson & Bruni-Bossio, 2018). The second level is the criminal sector. The criminal sector includes theft, drugs and prostitution. Firms operating in this level, practise illegal activities such as tax evasion, regulation avoidance and social security fraud. The third level is the household sector, which includes production that is produced for household consumption (Swanson & Bruni-Bossio, 2018).

However, the firms that exist in these different levels although not fully documented contribute to the economy as they generate an income for those who are active in it

(Swanson & Bruni-Bossio, 2018). The income that is earned in informal economic activities is then spent in formal legitimate firms. The authors consider legitimacy theory in that informal economy activities have been accepted in society as not being harmful or illegal as long as they align with cultural and social values (Swanson & Bruni-Bossio, 2018). Retail firms fall under the category of informal economy activities that are acceptable as they support the society in which they operate in by offering convenient access to consumer goods.

The existence of informal sector retail along with other informal sector firms is as a result of poverty (La Porta & Shleifer, 2014). Rothenberg et al, (2015) adds to the previous characteristics of lack of legal compliance and underground nature by suggesting that, informal sector firms are characterised as small, inefficient and run by entrepreneurs who seldom have the skills required to run firms productively. The combination of these characteristics therefore makes it more difficult to monitor informal sector production of enterprises (Baksi & Bose, 2016).



**Figure 2: Educational attainment of MSME Managers/operators (Rothenberg et al., 2015)**

Figure 2 depicts the vast differences in educational levels in managers/operators between the two sectors. Individuals with only secondary school level education (Rothenberg et al., 2015) manage the majority of firms in informal sectors. Managers with a university degree operate less than five percent of the firms in the informal sector with none having a graduate degree (Rothenberg et al., 2015). With the majority of

informal sector managers having obtained secondary schooling, it is questionable if they have had access to courses pertaining to supply chain management.

## 2.2. Supply chain management

The concept of supply chain management has been discussed in detail in literature with several definitions being offered however, before supply chain management can be defined, a definition for supply chain was sought. Chang, Ouzrout, Nangaillard, Bouras and Jiliu (2014) define supply chain as a network of different firms that facilitate the process of manufacturing goods from raw materials to finished products, which are sold to consumers after proceeding through a distribution system. Chang et al. (2014) further elaborate on the two-step process of supply chains. Firstly the formation of networks, which is the process of choosing who to purchase from and secondly the process of managing the supply chain once supply chain partners have been chosen (Chang et al., 2014). Having understood what a supply chain is definitions for supply chain management are given.

Supply chain management (SCM) is defined as the management of networks and interorganisational relationships through stakeholders who range from suppliers to customers (Kull, Mena & Korschun, 2016). The aim of SCM is to create value for all involved through cross-functional business capabilities (Lambert & Enz, 2017). One way in which value is created is through cost savings in purchasing with stakeholders (Nollet, Beaulieu & Fabbe-Coste, 2016). Lambert and Enz (2017) define supply chain management as the organising and management of all the processes that occur in the supply network. The network includes manufacturers, wholesalers / retailers all the way to the end-consumer. Over and above including all the aspects mentioned by Kull et al. (2016), Nollet et al. (2016) and Lambert and Enz (2017), Ramanathan's (2014) definition encompasses several other aspects, such as the integrative nature of SCM as well as the planning and controlling capabilities of firms that will be discussed further on in this literature review looking at the resource-based view (RBV) theory.

Several studies have explored the resource-based view (RBV) of firms in search of understanding resources can best be utilized to gain a competitive advantage, but also aims to understand how these resources can be pooled to build on current firm resources to make them even more competitive.

The RBV of a business is the ability of a business to employ its capabilities at a strategic level through groups at different levels of the organisation to obtain a competitive position

in the market through superior performance (Gunasekaran & Ramanathan, 2014). The RBV is considered an aspect of Porter's Five Forces that help firms guard against competitors through utilising internal capabilities to ward off market threats (Cambell & Park, 2017). The authors however, point out that, identifying the firm's capabilities is not always a simple exercise (Gunasekaran & Ramanathan, 2014). There is little literature however, that explores the abilities of informal sector firms in managing their resources in order to improve their capabilities.

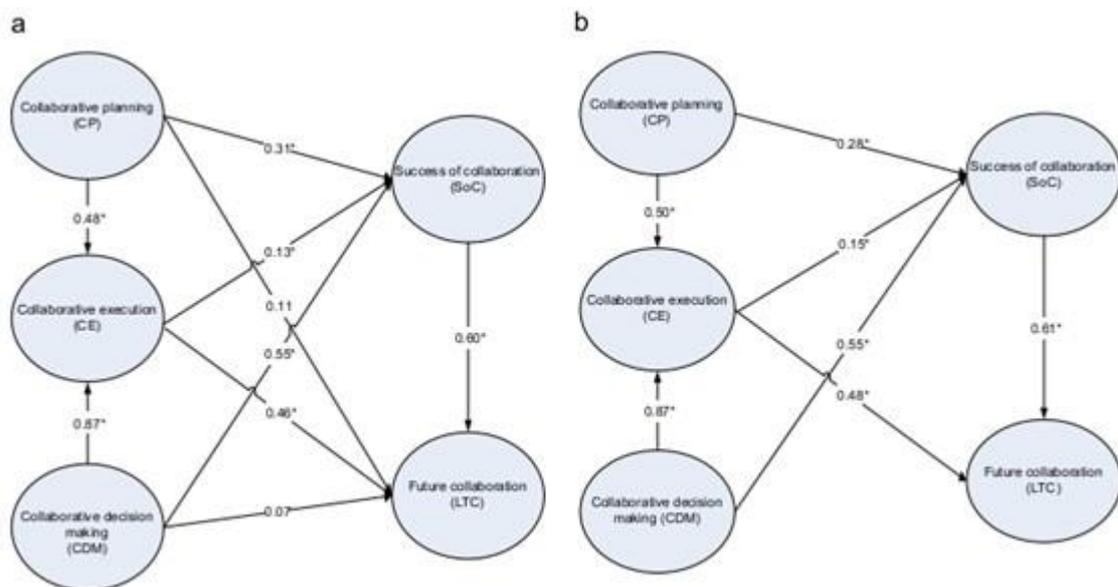
In literature, capabilities are defined as a subdivision of a firm's resources (Wang & Sengupta, 2016). These include a firm's ability to organise their skills, accumulated experience and knowledge in an efficient manner in the aim of achieving dynamic capabilities (Wang & Sengupta, 2016). Dynamic capabilities lead to a firm's ability to best react to market changes through employing activities such as customer relationship management, building brands, brand development and, the focus point of this study, supply chain management (Wang & Sengupta, 2016). How informal sector firms can leverage off dynamic capabilities to remain competitive given market changes has not been explored in much detail in literature.

In order to remain competitive and ward off market threats, supply chain members can no longer act in isolation, as Wang and Sengupta (2016) allude, for competition is no longer between firms but rather between supply chains. Supply chain collaboration is a concept of the RBV which looks at the leveraging of pooled resources which are tangible such as logistical services or intangible resources, such as the sharing of information to the benefit of all stakeholders (Gunasekaran & Ramanathan, 2014). Supply chain collaboration and its construct will be discussed in more detail below. While the benefits of leveraging off relationships in supply chain have been discussed at great length in formal sector firms, literature on the benefits in informal sector firms is scarce.

### 2.3. Supply chain collaboration

Having highlighted that there are benefits to be gained through the combination of resources through supply chain relationships, Lejeune and Yakova, as quoted in Cao and Zhang (2010), define supply chain collaboration as "two or more independent firms functioning together to plan and execute supply chain operations/ activities." Value is gained by collaboration members when activities such as collaborative planning forecasting and replenishment (CPFR) and continuous replenishment are conducted for the mutual benefit of all collaboration members (Ramanathan, 2014).

Collaborative advantage has been defined as the value acquired by a group of firms as a result of functioning together rather than competing (Nollet et al., 2016). An example of supply chain collaborative advantage is seen in purchasing groups, where members collaborate to benefit from lower prices as a result of the buying power of the group (Nollet et al., 2016).



**Figure 3. Structural model of supply chain collaboration - significant at  $p < 0.01$  (Gunasekaran and Ramanathan, 2014)**

In Figure 3, the observed items, namely market share and sales growth, represent collaboration success. The figure further highlights the collaborative efforts of combined planning, decision-making and execution. The most significant relationship being that of satisfaction of the supply chain arrangement (Gunasekaran & Ramanathan, 2014). There is also a significant relationship of supply chain partners exploring new ventures with fellow supply chain members. Collaborative planning relies heavily on the commitment of supply chain members (Gunasekaran & Ramanathan, 2014). These relationships, depicted in Figure 3, are said to be the determinants of supply chain collaboration (SCC) success or failure (Qu & Yang, 2015).

#### 2.4. Prerequisites of supply chain collaboration

In order for successful SCC relationships to prevail, the prerequisites for successful supply chain collaborations need to be established. Whether supply chain partners are

compatible or not is based on internal abilities to navigate factors that affect the firm both at micro and at macroeconomic level (Qu & Yang, 2015). While firm ability is important, another factor is the ideal number of firms in the collaboration. However, there seems to be a lack of clarity on the most efficient number of partners, the amount of member contributions in the form of investments and the duration of these relationships (Ramanathan, 2014).

In Freedman's analysis of the stakeholder theory as quoted in Kull et al. (2016), Freedman emphasises the need for synergies in stakeholder's interests. Kull et al. (2016) further suggest three prerequisites as noted by the stakeholder theory that assist in creating successful relationships: firstly, the descriptive view which looks at the relationship between firms and all stakeholders; secondly, the instrumental view which emphasises the importance of managers and their buy-in into stakeholder relationships and lastly, the normative view which sets out the guidelines to be followed by all stakeholders (Kull et al., 2016)(Nollet et al., 2016).

While the normative view sets out the guidelines, Nollet et al. (2016) suggest that those guidelines need to include a set of measures for performance. These performance measures allow stakeholders' reasons of holding underperforming supply chain members accountable (Nollet et al., 2016). These measures need to be agreed upon by all stakeholders, with strict repercussions that have a considerable impact on transgressing stakeholder goals that should be enforced (Nollet et al., 2016). These guidelines assist through stipulating the roles and responsibilities of each stakeholder. Examples of how the normative view has been applied in formal firms is abundant in literature. Examples of how the normative view should be applied in the informal sector are however lacking in literature in regards to efficient stakeholder management.

When dealing with multiple stakeholders it is inevitable that problems that may arise. The reason given for the existence of stakeholder problems are agency theory constructs such as opportunism, the difference in stakeholders' goals and irregularity in information shared in the collaboration initiative (Li, Fan, Lee, & Cheng, 2015). In managing supply chain risks brought about by agency theory, it assists stakeholders in identifying opportunities to improve and evolve the supply chain into a position of efficiency (Nollet et al., 2016). Efficiency can be attained through the proper management of supply chain risks which during the interaction with stakeholders in the informal sector.

Supply chain risk management is “the coordination or collaboration of supply chain partners so as to ensure profitability and ultimately continuity” (Li et al., 2015). The prerequisites for effective supply chain risk management, is the stakeholders’ willingness to share information and the willingness to accept the risks that will be collectively absorbed by partners (Li et al., 2015). This willingness is looked at further through observing stakeholder literature which is based predominantly in formal firms. An opportunity exists in literature to explore stakeholder behaviour in informal sector firms.

## 2.5. Stakeholder behaviour

Firm stakeholders are suppliers, investors, customers, distributors, partners and employees (Wang & Sengupta, 2016). Skippari, Laukkanen & Salo, (2017), in their study on collaboration in firm innovation, highlight the difficulty of inter-organisational relationships based on the differing needs of all stakeholders. Previous research has highlighted the need for shared attitudes and commitment between firm stakeholders (Skippari et al., 2017). However, the reality is that interests and attitudes of stakeholders are heterogenous in nature (Bundy, Shropshire & Buschholtz, 2013). Although different, shared collaboration-level identity still needs to be developed to assist in the successful formation of inter-firm relationships (Skippari et al., 2017).

Qu and Yang (2015) suggest that, just as the advantages to be gained in supply chain collaboration are not guaranteed, nor is the certainty that stakeholders will behave in a way that benefits all parties (Qu & Yang, 2015). The risk of opportunistic behaviours by some stakeholders exists, where firms use the information shared to take advantage of opportunities that only benefit the firm (Qu & Yang, 2015). It is however advised that, before firms commit to such agreements, each firm needs to evaluate its own strengths and weaknesses to identify to what extent they will be committed to collaboration (Gunasekaran & Ramanathan, 2014). With firms concerned with what benefits will be gained from stakeholder relationships, it is therefore paramount that strict codes of conducts, as stipulated in the normative view, are enforced to mitigate the risk and alleviate stakeholders of any anxieties they may have in partaking in such relationships (Qu & Yang, 2015; Swanson & Bruni-Bossio, 2018).

Hahn (2015) argues against the notion that stakeholders are self-interested and suggests that motivations to act sociably are guided by the reciprocal behaviour of other stakeholders. The author defines motives as personality dispositions which are usually constant in nature and which direct the selection of certain behaviours over others (Hahn, 2015). Bundy et al. (2013) argue that the way a firm reciprocates when interacting with

other stakeholder firms, especially in times of conflict, is motivated by the firm's internal strategic goals. The authors do however state that solving the issue with stakeholders has an adverse impact on their strategic goal; their response to correction from stakeholders will be favourable (Bundy et al., 2013).

The reality when collaborating is that conflicts are more prevalent in situations where codependency exists (Nollet et al., 2016). Conflicts arise when a stakeholder feels that his values and beliefs or the ability to reach strategic goals is negatively affected by the behaviour of another stakeholder (Nollet et al., 2016). Bundy et al. (2013) highlight that the transgressing firm's behaviour may however not be intentionally directed at affecting stakeholders negatively but rather points to the fact that firms as individuals are constantly navigating several issues at a time.

Their reciprocal actions, which might be perceived as negative by others, may be an internal decision to solve a more important issue that threatens their strategic goals more than keeping the peace with stakeholders (Bundy et al., 2013). Hahn (2015) therefore suggests that, how stakeholder firms react to normative stakeholder demands, can be altered through a rewards and punishment system. One stakeholder however that is seldom considered, is the customer. The participation of the customer as a stakeholder in informal retail supply chain networks is yet to be explored.

Joo and Shin (2018) have defined customer participation in services as the ability of customers to have an influence on the way in which products and services are delivered to them. Previous studies have disregarded the importance of customers in the supply chain process or have not discussed it in depth (Joo & Shin, 2018). They have in the past been viewed as "passive entities" in business ecosystems and this can no longer be the case. While investigating the inhibitors of supply chain collaboration, the role of the customer in the value chain is an important aspect to explore as it is their business and loyalty that firms will be aiming to gain (Joo & Shin, 2018).

Through collaboration with customers, economic value is created; this collaboration also assists in improving social value. It has also been proposed that greater customer involvement improves loyalty as there is a sense of being part of the firm's success (Joo & Shin, 2018). Supply chain relationships are therefore created to assist firms in better serving their customers. While operation is the aim to gain customers trust, maintaining trust with supply chain partners is important in maintaining fruitful collaborations that benefit supply chain members positively.

In order to gain an understanding on the inhibitors of supply chain collaboration the role of stakeholders needed to be explored. Furthermore, stakeholder identification based on firms' needs was looked at with the role of the customer as an important stakeholder highlighted. In order to further understand the role of stakeholders in supply chain collaboration, the role of trust is looked at to see how it affects the willingness to engage in collaborative supply chain management.

## 2.6. Trust

Trust has been discussed by various authors in the context of supply chains as an important influencer to the success of supply chain management and collaboration (Capaldo & Giannoccaro, 2015; Chang et al., 2014; Nollet et al., 2016). With several industries having acknowledged the positive effect of trust in a firm's performance, understanding how this phenomenon impacts supply chain collaboration is therefore important in order to fully take advantage of the benefits of trust in supply chains (Capaldo & Giannoccaro, 2015).

There is however difficulty in the process of gaining trust (Capaldo & Giannoccaro, 2015). In understanding trust, Chang et al. (2014) define trust as the belief that stakeholders will act in an expected manner, to the mutual benefit of all parties involved. Another definition describes trust as the willingness to rely on an exchange partner in which one has confidence (Panayides & Lun, 2009). According to the social capital theory, healthy exchanges are based on norms of reciprocity or the belief that partners are acting in the best interest of all stakeholders (Panayides & Lun, 2009). Both definitions acknowledge the possibility of stakeholders to defect from expected behaviours and instead act selfishly at the detriment of other stakeholders which has been discussed in previous sections under agency theory. For the purpose of this study, trust is therefore built on the assumption that stakeholders will always act accordingly and based on previous actions, a reputation for trustworthiness is therefore established which forms the basis on which trust is awarded to stakeholders (Chang et al., 2014).

Trust that is expected between stakeholders can be split into two categories (Capaldo & Giannoccaro, 2015). Firstly, contractual trust: this type of trust is based on a contractual clause while goodwill trust is the strongest form of trust which is based on continuous exchanges over an extended period of time (Capaldo & Giannoccaro, 2015). The

categories of trust are yet to be explored in informal sector retail and the effect each category has on maintaining stronger stakeholder relationships.

The benefits experienced in trusting stakeholder relationships is the potential of information sharing that is to the benefit of all stakeholders (Capaldo & Giannoccaro, 2015). Sharing this information leads to joint learning which assists in informed cost management and effective use of resources (Capaldo & Giannoccaro, 2015). Ramanathan (2014) expresses that another benefit of trust is the willingness to embark on new ventures with supply chain members, as the past relationship has been an example of the ability to form fruitful relationships with partners.

The importance of trust in the successful facilitation of social and business interactions is recognised by several studies that have attempted to examine trust as an integral part of inter-organisational relationships in the context of supply chains (Panayides & Lun, 2009). From an operating perspective, trust is considered as important in effectively implementing collaboration in supply chains. For firms to fully realise the benefits of collaborative planning, forecasting, replenishment (CPFR) vendor management inventory and continuous replenishment programmes, inter-organisational collaboration – which is governed by trust – should be present (Panayides & Lun, 2009). Trust has been discussed in various scenarios in literature and its importance in the formation and sustainability of successful collaborations highlighted. There is scarce literature on the impact of trust in supply chain collaborations in informal sector retail.

Having looked at the benefits of trust in the formation of effective supply chain collaborations, the advantages that can be used to ensure that informal sector retailers manage sustainable businesses are discussed below.

## 2.7. Advantages of supply chain collaboration

Supply chain collaboration literature discusses the benefits of supply chain collaboration in various scenarios such as between firms, supply chains and project management teams. There are benefits to be gained by multi-organisational collaboration through the flattening of traditional hierarchical structure where most firms function as horizontal organisations which allow the benefits of supply chain collaboration to flow through all channel members equally through networks (Conner, 2017).

The benefits of flatter networks are the ease of information transfer geared at solving problems that are usually difficult for one firm to solve (Conner, 2017). Conner (2017)

further suggests that the collaborative arrangement networks be focussed on attaining public value. Public value is defined as making use of each stakeholder's strengths in the attempt of solving other stakeholder weaknesses (Conner, 2017). The author further suggests that, for the advantage of true public value to be attained, collaborations should not only be between similar firms, but also between firms operating across different sectors. Purpose exists in gaining public value in informal sectors through collaboration of like firms and firms of different sectors, this purpose is yet to be established adequately across informal sector firms.

Ramanathan (2014) suggests that effective SCC helps chain partners in cost saving and can thus assist them in gaining a competitive advantage to competitors. Furthermore collaborating firms get to benefit from reduced transaction costs, increased productivity and risk sharing while getting access to a wider range of resources (Cao & Zhang, 2010). Joint replenishment planning further benefits supply chain members in defining what items to best stock in which enterprises (Ramanathan, 2014). This advantage is supported by the information sharing platforms created in SCC (Ramanathan, 2014). Data can therefore be sourced from upstream and downstream partners who will help understand the purchasing patterns of customers which assist in ensuring stores are stocked with the right product at the right time and at the convenience of the customer (Ramanathan, 2014).

There is a benefit to stakeholders in purchasing groups gained from the combined effort of a central sourcing group who undertakes most of the purchasing function groundwork for members (Nollet et al., 2016). Not only is this a timesaver, it is also a benefit to members as they benefit from the larger buying power of the group in terms of negotiated discounts which assist members in getting more stock for their money (Nollet et al., 2016).

There are further advantages to be gained through supply chain collaboration which are set out by Ramanathan (2014) under five paramount dimensions in improving supply chains, which are planning, shared targets, trust and common forecasting, free flowing information and lastly the use of information technology to facilitate the process. Cao and Zhang (2010) further suggests the advantages of SCC under five dimensions namely innovation, efficiency, flexibility, quality and synergies. Although the benefits as highlighted by Zhang (2010) and Ramanathan (2014) have been discussed in the context of formal sector firms, more insights are necessary on which of the dimensions stated by both are prevalent in the collaboration efforts of informal sector retailers.

Conner (2017) not only agrees with Cao and Zhang (2010) that collaboration can be inter-organisational, but is also aware of the benefits many collaborative partnerships fail to meet when it comes to stakeholders' expectations and thus lead to the failure of such collaborations (Cao & Zhang, 2010).

## 2.8. Disadvantages / barriers of supply chain collaboration

There are certain behaviours that lead to the inability of supply chains to collaborate to gain the advantages explained in the literature in the section above. Ramanathan (2014) suggests that these behaviours or barriers of SCC can be split into two groups, namely organisational and operational barriers. Organisational barriers include the behaviours inherent in organisations such as the inability to effectively plan. Another organisational barrier is the level of technology adoption by a firm. In ensuring successful firm to firm relationships, technology compatibility should be evaluated (Rajaguru & Matanda, 2013). Technology and information sharing as factors have been explored in literature as both an advantage and disadvantage (Ramanathan, 2014). While the information can benefit firms positively, there is a risk of information misuse (Ramanathan, 2014). The barriers as highlighted above are yet to be explored in the context of informal retail firms.

Delgado-Ceballos, Aragon-Correa, Ortiz-de-Mandojana, & Rueda-Manzanares (2012), in their study based on the barriers experienced by stakeholders in partaking in environmental strategies, identify a lack of financial resources as the main internal barrier to collaboration (Delgado-Ceballos et al., 2012). Furthermore, the authors identified that smaller firms were the ones most likely to struggle in these collaborations due to a lack of adequate human resource, lack of problem awareness, inadequate top-management leadership and the pure unwillingness of staff to change their day-to-day routine to a new routine that involves collaborating with other firms (Delgado-Ceballos et al., 2012).

External consideration to barriers in supply chain collaboration at a country is the level of commitment of firms as a result of cultures, norms and experience in functioning with firms in their own country (Qu & Yang, 2015). The level of trust in a cross-cultural context is also an issue with the firms choosing who they trust to share information with, thus creating situations where some members are allowed to benefit and take advantage of market opportunities more than others (Qu & Yang, 2015). The contribution of cultures and community norms is yet to be explored in how it impacts the propensity of informal sector firms to collaborate.

The challenges faced by formal firms in cross- sector collaboration have been highlighted in a study by Tudler and Keen (2018). The most applicable to the inhibitors of collaboration in supply chain management are the first order change challenges in which the adoption of supply chain collaboration change will occur. The authors have highlighted the inability of organisations to meet their immediate society's needs as a problem. An example is a firm's inability to sufficiently supply the market with private goods in quantities needed (Tudler & Keen, 2018). Nollet et al. (2016) suggest that the behaviour discussed above may lead firms to act individually in using the information gained from being a part of buying groups to further negotiate discounts with suppliers that are favourable only to the firm. There is therefore an opportunity in collaboration in informal sector retail to improve firms ability to meet their customers needs thus navigating first order change challenges effectively.

There are also failures from civic support in offering the necessary support to firms in order to allow them to adequately service the market. An unwillingness of those involved to collaborate with those in the same sector in trust building activities is an issue (Tudler & Keen, 2018).

Stakeholders in the informal industry have identified several challenges. These include a lack of access to finance, little to no access to skills training and technology, the weakness of informal business associations and their lack of bargaining power (Rogerson & Christian, 2015). Other issues faced by the informal retail sector in Soweto are the increase of foreign nationals in the township along with the effects of formal retail chains such as Pick n Pay, Checkers and Woolworths entering townships after apartheid formally ended (Crush et al., 2015). The issue of access to finance has been investigated by government at length, however, little has been done to assist small to medium enterprises (SMMEs) in the informal sector (Rogerson & Christian, 2015). There has been an increased interest understanding how these factors impact informal sector firms. This study will aim to add to the body of knowledge from a informal sector retail firm perspective.

## 2.8. Conclusion

The literature review explored the intricacies of supply chain management in the context of collaboration. Lambert and Enz (2017) state that companies that manage their relationships best are the most successful. Most businesses functioning in the same markets not only serve the same customers, but purchase from the same supplier (Lambert & Enz, 2017). It is therefore advantageous that informal sector retailers

consider the possible relationships they can form with one another to assist in improving the quality of service given to their general customers.

The literature review focuses mainly on collaborative supply chain management in terms of horizontal process integration and not as such on competing firms merging resources together to ensure sustainability and a collaborative advantage. The reimbursements of working with competitors are referred to but are not discussed in detail. With the benefits of supply chain collaboration recognised, the question arises if informal sector retailers are aware of the benefits of supply chain collaboration.

A vital prerequisite of supply chain collaboration success that emanated from the literature was the need for trust between stakeholders. Trust was defined to describe the reciprocal nature of relationships in collaborating networks. Furthermore, the conflict that emanates from a subsequent loss of trust was explored with the rules and regulations suggested as a mandatory aspect of collaborative groups' normative values.

Advantages said to stem from when collaborating networks embody trust are an opportunity to leverage the strengths of network partners in gaining the know-how to solve internal weakness through information sharing. The sharing of information can also be an advantage through the introduction of new technology which assists channel members in gaining insights on customers and can therefore meet customer needs more efficiently thus increasing revenues. Not all firms are able to realise these benefits through their inability to collaborate with larger firms as a result of lacking internal resources.

Internal inhibitors of collaboration have been cited in the literature as a lack of financial, human and technological resources. Willing firms with these limitations however are unable to meet their obligations as stipulated by the normative culture of the organisation and therefore cannot benefit from collaborative networks. The limitations that inhibit firms from collaborating are not only as a result of internal constraints, but instructions geared at supporting firms in their market economy.

Despite the vast studies conducted on supply chain collaboration, scholars have thus far focussed predominantly on studies that explore collaboration looking at vertical firms in supply chains rather than supply chain collaboration between competing firms. Further clarification is therefore needed on supply chain collaboration between similar type of firms who serve the same customers and purchase from the same suppliers. Current

literature, although extensive, convinced the researcher that there seems to be a gap in the exploration of supply chain collaboration in informal sectors. While research has been done in emerging markets for the purpose of South Africa's informal sector, more research is needed to understand solutions to assist in the sustainability of informal sector firms using initiatives such as supply chain collaboration.

# Chapter 3: Research questions and propositions

## 3.1. Purpose of the research

The aim of the research as explained in Chapter 1 was to investigate the inhibitors of supply chain collaboration between retailers operating in the informal sector. Chapter 3 outline the research questions that will form the discussion of the outcome of the interviews conducted using the method identified in Chapter 4. The research questions represented in this chapter formed the structure of the results in Chapter 5 and the discussion of these results in Chapter 6.

## 3.2. Research questions

### 3.2.1. Question 1

What does the current supply chain of informal sector retailers in Soweto entail?

This question aims to assess how the retailers interact with their supply chain. It attempts to depict how supply chain management is currently conducted as compared to what supply chain management literature suggests.

### 3.2.2. Question 2

What are the perceptions of supply chain retailers on the topic of supply chain collaboration?

This question aims to assess the level of awareness on the topic of supply chain collaboration. It also searches to explore if the benefits as discussed in the literature review are known to retailers.

### 3.2.3. Question 3

Is there a willingness to try supply chain collaboration?

This research question attempts to assess the willingness to partake on collaborative supply chain management in the hopes of achieving said benefits. The question also

explores what the experiences of those who have or those still part of such collaborative networks, view as the benefits.

#### 3.2.4. Question 4

What are the inhibitors of supply chain collaboration or the sustainability of the concept?

This question aims to gain insights into the reasons that informal sector retailers view as the reason for, firstly the failure of supply chain collaboration and secondly it seeks to explore the reasons why it may not be considered as an option to assist in the sustainability of their stores. The role of trust is also being explored in this question.

## **Chapter 4: Research methodology**

### 4.1. Introduction

This chapter is a discussion on the research methodology used for the purpose of this study. Themes guided by the literature review formed the basis of the interview schedule tool used in the face-to-face interviews in this qualitative study. The information sourced from the unstructured, in-depth interviews was then coded from voice recordings. This methodology supported the exploratory nature of this study as the codes helped gain a deeper understanding on the inhibitors of supply chain collaboration in informal sector retail in Soweto.

For the purpose of this study, naturalism was observed. Naturalism is defined as “ the experience of how subjects actively construct their social worlds” . (Silverman, 2014, p. 173). Naturalism aims to extract data through gaining interviewees authentic experiences through the use of unstructured interviews comprised of open-ended questions (Silverman, 2014, p. 173).

### 4.2. Research method and design

Denzin & Lincoln (2011) define qualitative research, as “an interdisciplinary, transdisciplinary and sometimes counter-disciplinary field. It crosscuts the humanities, as well as the social and physical sciences” (Denzin & Lincoln, 2011). Qualitative research further aims to explore insights in detail through the assessment of a different

perspective (Saunders & Lewis, 2012). As the study is an exploration of the perceptions of what informal sector retailers' view as the inhibitors of supply chain collaboration based on their experience in the informal retail sector, qualitative research will allow for the drawing of these insights in greater detail.

The study was exploratory in nature which offered a useful means of detecting occurrences while seeking new insights to assess phenomena in a new light and to ask questions (Saunders & Lewis, 2012). The questions, due to a limited time frame, were a representation of opinions at a point in time and were therefore in the form of a cross-sectional study (Saunders & Lewis, 2012).

Several choices were available when it came to methods of extracting data for this research purpose. These methods were guided by the research questions as posed in the previous chapter. This study aimed to gain an in-depth understanding of what the inhibitors of supply chain collaboration among retailers trading in the informal sector are. In-depth interviews were therefore a suitable method for exploring the phenomenon of collaboration in the common activity in this case being retailing in the common location of Soweto (Gubrium & Holstein, 2002).

Seidman further defines interviewing as a basic mode of enquiry; a recount of narratives of experiences that have assisted humans in making sense of their own experiences. The purpose of in-depth interviews, as will be done in this study, is not to test a hypothesis, but rather to explore an interest in informal retail supply chains and ways to create value for the consumer by means of collaboration through shop owners' "lived" experiences (Seidman, 2013).

Due to an interest in peoples' narratives, Seidman (2013) suggests that interviews are a suitable method to draw meaning to draw insightful recollections from interviewees. Interviews encourage a recollection of events from their consciousness. While Fontana and Frey in Denzin and Lincoln (2011) highlight the ambiguity that is found in the spoken and written word, they also acknowledge the power of interviews to gain insights in human behaviour.

These narratives or insights are best-explored making use of in-depth interviews. Gubrium and Holstein (2002) have compared in-depth interviews with the conversations experienced between friends. In-depth interviews seek deep insights that are usually not achieved in other more structured forms of interviews, for example, focus groups. These

interviews delve into the respondents' lived experiences, values, beliefs and the process, which informs their decision-making (Gubrium & Holstein, 2002).

When interviewing there is a realisation that there is a value in the stories to be told by individuals (Seidman, 2013). In the case of this study, as highlighted in the literature review, there is an economic advantage in strengthening the firms in informal sectors. Understanding the inhibitors of supply chain collaboration would assist in strengthening relationships to ensure collaborations that not only extend value to end-users, but also preserve employment opportunities to alleviate unemployment.

For the purpose of this study in-depth interviews were used. These interviews were in the form of open-ended questions posed using an interview schedule in unstructured interview sessions. The interviews were aimed at building on and exploring each participant's responses to the questions posed in the interview schedule. The aim was to encourage participants to reconstruct their experiences with the topic under study. Unstructured interviews and in-depth interviews as defined by Seidman (2013) are similar in that these types of interviews allow for participants to speak at length and widely about the topic. There are no predetermined questions, however topics will be noted in the form of an interview schedule to ensure that all topics relevant to answering the question asked are answered (Saunders & Lewis, 2012).

The technique used to collect the qualitative data was interview schedules. Interview schedules have no predetermined list of questions, but rather a list of themes to be covered. Some interviews were therefore more detailed than others. These interviews allowed respondents to speak freely about events, thus giving a narrative that can later be analysed (Saunders & Lewis, 2012; Fisher, 2010). The interview schedule was split into two main themes, mainly the process taken to supply the stock in the store and then an exploration into the retailer's thoughts and feelings was done around the topic of collaborating with competing retailers. A copy of the interview schedule is included in Appendix 2.

#### 4.3. Population

A population is all the potential sources of information that meet the researcher's criteria (Rijsoever, 2017; Saunders & Lewis, 2012). The population for this study is all informal sector retailers in South Africa. Due to time restrictions and ease of access to Soweto, a subgroup of all retail owners in the informal sector was sampled for this study. This subgroup was chosen on the criteria depicted in the unit of analysis.

#### 4.4. Unit of analysis

**Table 4-1 – Details of the unit of analysis**

Sample	Unit of analysis
Type	Informal sector retailers who own shops selling consumer goods and providing retail-based services
Geographic area	Soweto

The unit of analysis were informal sector retail owners in Soweto. These retail owners should be partaking in general dealership type retail trade. Due to the different levels of compliance in the informal sector, compliance factors such as the payment of tax, company registration and food trading certification were not a determinant of the unit of analysis. Asking for levels of compliance was avoided due to its minimal effect on the overarching topic and to avoid making respondents uncomfortable. The owners should be running firms in Soweto as this is the chosen geographical area for the study. Any business owner interviewed outside this area fell outside the parameters set by the research topic.

#### 4.5. Sampling method and size

Purposive sampling allowed for the selection of respondents who were assumed to have insight on the topic explored (Saunders & Lewis, 2012). In order to understand the complexities of the inhibitors to supply chain collaboration, an attempt was made to interview as many respondents as possible to reach a point at which there were no new codes were observed. The aim in this qualitative research was not to acquire a fixed number of participants, but rather to gain as much valuable insight on the topic as possible (O'Reilly, 2012).

Family members who are retailers in this sector residing in Soweto were invited to partake in the interview process. These family members meet on a monthly basis at their funeral Stokvel. It is in this platform that invitations were handed to them to participate in the research. On the date of their interviews they were requested to suggest two other fellow retailers who they believed would be willing to assist in this study. These referrals were used to identify other respondents, which are synonymous with snowball sampling.

The snowball sampling method will therefore be used to identify other individuals to be interviewed (Saunders & Lewis, 2012). This process was continued until no further insights could be drawn and saturation was reached.

17 interviews were conducted. The retailers interviewed fell into three main categories. The first category were interviewees who were currently actively involved in the day-to-day running of the store. The second group were individuals who previously owned stores, however, were currently renting out their stores to foreign nationals. The third group were retailers who had converted their stores to a formal retail store such as Pick n Pay. This group was included as prior to converting their stores to Pick n Pay outlets they had explored the viability of supply chain collaboration and can therefore add insights to the inhibitors of supply chain collaboration.

#### 4.6. Measurement instrument

Although ethnography was not used in the study due to time constraints. The structure of the data collection tool was set along Emerson, Fretz, and Shaw (1995) as cited in Silverman (2014). The measurement instrument sought to understand, what people were doing, what they were trying to accomplish, how exactly they went about doing this, how the people characterise and understand what was going on, what assumptions did they make. An analysis by the researcher then followed looking at what was observed and what information was gathered from the notes taken during interviews.

Table 4-2 is a breakdown of the Measurement instrument. It depicts the research questions as stated in chapter three and shows the questions asked in order to answer the question. Based on Emerson et al (2015) the questions are grouped into the phenomena they hope to shed light on.

**Table 4-2 – Measurement instrument break down**

<b>Research Question</b>	<b>Research question</b>	<b>Measurement instrument objectives (Emerson, Fretz, &amp; Shaw, 1995)</b>
<b>Question 1</b>  What does the current supply	1. What kind of products are sold here?	What are people doing
chain of informal sector retailers in Soweto entail?	2. Why do you sell these products	What are people doing

	3. Who decides which products are sold here?	What are people doing
	4. What is the process you go through to stock these products?	How exactly do they do this?
	5. Who do you buy them from	How exactly do they do this?
	6. How often do you buy from them?	How exactly do they do this?
	7. How do you get stock to the store?	How exactly do they do this?
	8. What challenges do you experience with suppliers?	What do people characterise and understand what us going on?
	9. How do you pay for stock	How exactly do they do this?
	10. How would you like to pay for stock	How exactly do they do this?
	11. what informs what prices are charged	What do people characterise and understand what us going on?
<p><b>Question 2</b></p> <p>What are the perceptions of supply chain retailers on the topic of supply chain collaboration?</p>	12. When I say supply chain collaboration what does it mean to you?	What do people characterise and understand what us going on?
	13. Have you heard of store owners doing this?	What do people characterise and understand what us going on?
	14. What have you heard?	What do people characterise and understand what us going on?
	15. How do they work?	What do people characterise and understand what us going on?
	16. What are your views on these groups	What assumptions do they make?
<p><b>Question 3</b></p> <p>Is there a willingness to try supply chain collaboration?</p>	17. What are the advantages?	What assumptions do they make?
	18. What are the disadvantages?	What assumptions do they make?
	19. Have you ever tried joining a group	What assumptions do they make?

<b>Question 4</b> What are the inhibitors of supply chain collaboration or the sustainability of the concept?	20. What aspects worked?	What do people characterise and understand what us going on?
	21. What aspect did not work	What do people characterise and understand what us going on?
	22. Why are you or are you not still a member of the group?	What do people characterise and understand what us going on?

Gubrium and Holstein (2002) highlight phenomena of in-depth interviews. They suggest an initial steep learning curve where the interviewer is intrigued by all the perspectives they find in the first few interviews (Gubrium & Holstein, 2002). At some point the topics raised become repetitive and new learning decreases until a point where saturation is reached (Gubrium & Holstein, 2002). This point is where additional interviews conducted present little if any new views on the topic being explored (Gubrium & Holstein, 2002; Saunders & Lewis, 2012).

Triangulation has increased in its importance to verifying the validity and the reliability of qualitative studies. It assists in increasing research reliability by making use of more than one type of data (Taylor, Bogdan & Vault, 2016). Opinions rather hard to validate as they are not necessarily a representation of the population's views, but the individual firm's experience. In order to ensure validity as far as possible, respondents were given the results to verify if they agree or disagree.

When giving respondents results to verify, anonymity of the respondents was protected. Gubrium and Holstein (2002) highlight the importance of protecting respondents. Measures should be observed in the processing and storage of data to ensure that retailers' opinions are not used against them to harm their firms in any way. Once the codes were completed, the tables and the results were shown to three interviewees to verify if they were indeed correct. Names were therefore not reported for the purpose of this study to ensure that respondents' anonymity and relationships were not negatively impacted (Gubrium & Holstein, 2002).

#### 4.7. Data gathering process

Before commencing interviews, a meeting was arranged with a senior representative of the South African Spaza and Tuckshop Association (SASTA) in order to gain as much insight as possible on the group of store owners that will be interviewed for this study. The interview schedule was tested for its appropriateness using their experience with dealing with members of the population to be sampled.

Once the interview schedule had been discussed with the senior representative of SASTA and changes were made, three pilot interviews were conducted to check that the questions were understood by the targeted participants and that they would yield information that would be relevant to the study. Piloting the interviews assisted in identifying that the researcher would have to translate a lot of the questions into Sesotho in order to improve understanding of the question (Saunders & Lewis, 2012). The data gathered from the pilot interviews was added to the study.

The participants were business owners and store attendants; it was therefore simpler to conduct the interviews either at their stores to allow operations to continue, or at their homes after trade to avoid disrupting of operations. Although some interviews were scheduled in store, they had to be rescheduled due to busy store operation.

The data was gathered using audio recordings, which were later coded in Excel. Before each interview, as Saunders and Lewis (2012) advise, audio equipment should be checked for functionality. This advice is supported in the art of interviewing as they suggest that although notes should be taken, it is important to have recordings of which coding can be generated to improve the quality of data (Gubrium & Holstein, 2002; Seidman, 2013). The quality of some of the clips was unfortunately not as clear due to interviewees moving away from the recording device to serve customers.

In data collection there are ethical concerns that need to be addressed. While the quality of data is important, protecting the integrity of respondents is paramount. In gathering data, consent was requested from participants (Denzin & Lincoln, 2011; Gubrium & Holstein, 2002). No aspect of the research was withheld from individuals, however, an agreement was in place to protect their identities (Denzin & Lincoln, 2011). Especially since they were sharing an integral part of their business that contributes to their competitive advantage, the need for anonymity was paramount. While discussing the inhibitors there was a risk of emotional harm to other respondents as they were mentioned during interviews. If such information was not handled with care the relationships of some of the retailers stood to suffer. They will eventually find out what is being said about them and therefore it will be important that respondents be protected from physical and emotional harm (Denzin & Lincoln, 2011). This was done by ensuring

the anonymity of respondents and not discussing respondents' views of each other (Denzin & Lincoln, 2011).

A total of 17 interviews were conducted, with the shortest interview being 5.05 minutes and the longest at 78.38 minutes. The total combined minutes of interviews was 392.46 minutes with the average interview lasting 23.08 minutes. Interviews shorter than ten minutes were disregarded due to the respondents not being familiar with the topic or not willing to discuss it. This left a total of 13 interviewees whose responses were considered for this study.

#### 4.8. Analysis approach

The analysis approach adopted for this study was the interpretive phenomenological analysis by Smith and Osborn (2008) as depicted in Silverman (2011). Firstly, each interview was listened to and the initial notes and ideas were taken. Secondly, comments were transformed into themes and recorded using excel tables. Thirdly, a comprehensive list of themes which were guided by the interview guide were recorded in the spreadsheet. The themes were then placed into cluster themes under the four research questions. A total of 122 codes were recorded under 22 themes which were then arranged under four overarching questions. In order for ease of recording codes a mixture of text and non-text methods were used.

##### Research Question 1 - Interview Question 1 to 11

- What does the current supply chain of informal sector retailers in Soweto entail?

This question aimed to assess how the retailers interact with their supply chain by gaining insights into how the retailers currently source products for their stores, payment methods used and pricing methods applied.

##### Research Question 2 - Interview Question 12 to 16

- What are the perceptions of supply chain retailers on the topic of supply chain collaboration?

This question explored the level of awareness on the topic of supply chain collaboration.

### Research Question 3 - Interview Question 17 to 19

- Is there a willingness to try supply chain collaboration?

This research question desired to assess the willingness to partake on collaborative supply chain management in the hopes of achieving said benefits. The question will also explore what the experiences of those who have or are still part of such collaborative networks view as the benefits.

### Research Question 4 - Interview Question 20 and 22

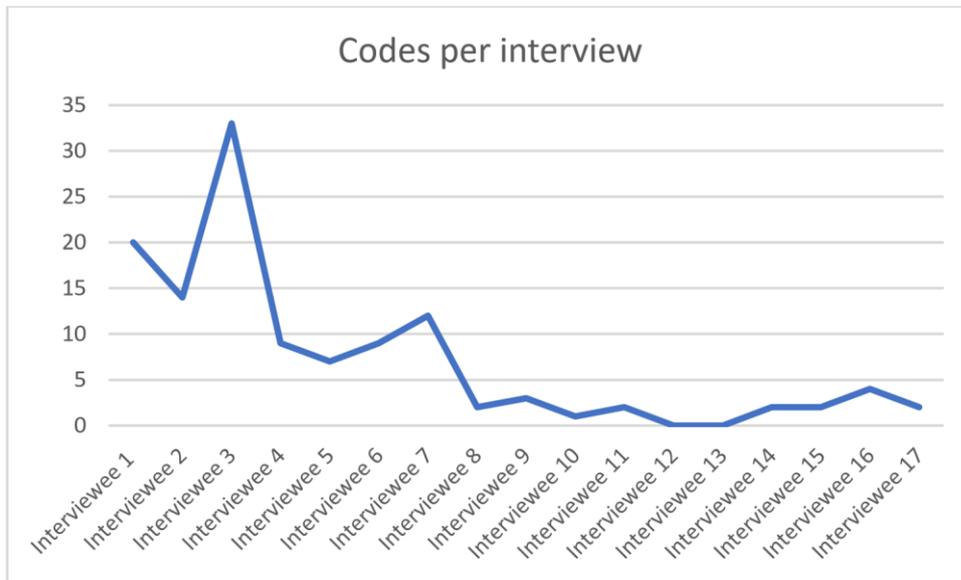
- What are the inhibitors of supply chain collaboration or the sustainability of the concept?

This question sought to understand the perceptions of informal sector retailers on supply chain collaboration post a discussion of the concept. The discussion was based on their observations on aspects that were successful and aspects that they view as the reasons why none of them are members of such collaborations.

Qualitative data can be classified as text and non-text. For the purpose of this study interviews were electronically recorded to be coded at a later stage into graphic and text data (Saunders & Lewis, 2012). Fisher (2010) suggests that leaving enough spaces between main headings where notes can be recorded during the interview will add to the text component of interviews (Fisher, 2010). This method proved useful in some interviews and assisted with taking notes that were later useful in the coding process annotated above.

The data was then arranged using manual coding techniques and Excel. Coding involves extracting all common themes while discarding all information not relevant to the study or of no value in exploring the inhibitors to supply chain collaboration (Fisher, 2010). The codes were extracted from the questions with each question edited into a code. The respondents' answers under the question asked were then noted with the frequency which they were repeated. Once the frequency was established the data was sorted and ranked in order of the highest occurring response to the lowest.

To gain more insights on the data, the top three replies for each question as stated in chapter three were grouped according to Emerson (1995)'s questions as stated in table 4-2. Direct quotations were then added in a discussion on the findings on the questions.



**Figure 4. a graph depicting the number of codes per interview.**

Figure 4 depicts the codes per interview. Some interviews were more informative than others with the earlier interviews generating the most ne codes. Saunders and Lewis (2012) suggest that this decline in new information as one continues to interview is synonymous with interviews as a method of data collection.

#### 4.9. Conclusion

Chapter 4 gave a detailed description of how the data in the following chapter was analysed. Chapter five is a representation generated using the technique described in the above section.

# Chapter 5: Results

## 5.1. Introduction

This chapter is a presentation of the results for this study. The analysis of responses is represented as per the structure that the questions are presented in Chapter 3. The researcher has attempted as far as possible to arrange the data under the presented questions where additional information has been found that does adequately fit under an existing question; data has been presented under a “other” category towards the conclusion of the chapter. The chapter starts with providing an analysis of the interviewees along with a summary of the interviewing process. Most of the quotes have been translated from Sesotho to English.

## 5.2. Interviewees analysis

Table 5-1 is a representation of the interviewees and their roles within the stores in question. It also includes the dates of which the interviews were conducted along with the location of the stores. Although 20 interviews were scheduled a total of 17 interviews were conducted due to the availability of the researcher or interviewees. Several interviews were postponed due to the stores experiencing an inflow of customers and the store owner servicing customers. 13 of the interviews were conducted in store during trade while four were conducted telephonically due to the outbreak of xenophobic riots that erupted in late August which resulted in store owners closing their stores for fear of looters. Two interviews were conducted at the homes of the interviewees. Of the interviewees sampled 4 interviewees were no longer running their stores themselves. The stores have been run by their children or it has been rented out to foreign store owners.

The details of the respondents who are no longer actively involved in the operations of their stores have been highlighted in the analysis of the results as their quotations are quoted in past tense. Equal time was given to respondents to allow them to answer and delve deeper into answering the questions, however, familiarity with the interviewer and the amount of knowledge they had on the subject were determinant as observed by the researcher on how much information was shared on the subject.

Although appointments were arranged, some storeowners delegated the answering of the questions to a store attendant. These interviews proved the shortest as the employees were reluctant to express their views, as they would be misconstrued as the

views of the employer. These interviews were shorter and not of value in terms of the study and were therefore left out of the study. These are highlighted in yellow in table 51 below.

**Table 5-1 – Respondent details**

<b>Interviewee Number</b>	<b>Location</b>	<b>Position</b>	<b>Date</b>	<b>Interview time</b>
1	Naledi	Store owner	20-Jul-18	15.08
2	Naledi	Store owner	25-Jul-18	27.05
3	Mapetla	Store owner	3-Aug-18	57.15
4	White City/ Jabavu	Store owner	4-Aug-18	32.54
5	Naledi	Store owner	11-Aug-18	20.24
6	Naledi	Store owner	11-Aug-18	22.26
7	Naledi	Store owner	12-Aug-18	78.34
8	Naledi	Store owner	15-Aug-18	26.2
9	Diepkloof	Store owner	15-Aug-18	22.55
10	Orlando East	Store owner	15-Aug-18	5.08
11	Orlando East	Store owner	21-Aug-18	14.18
12	Naledi	Store assistants	21-Aug-18	6.13

13	Pimville	Store assistant	24-Aug-18	5.05
14	Rock Ville	Store assistant	4-Sep-18	19.07
15	Mapetla	Store owner	4-Sep-18	7.1
16	White City/ Jabavu	Store owner	5-Sep-18	20.17
17	Naledi Supermarket	Store owner	5-Sep-18	14.27

### 5.3 Structure of in-depth interview analysis

The results will be presented in the order depicted below.

#### Research Question 1 - Interview Question 1 to 11

- What does the current supply chain of informal sector retailers in Soweto entail?

#### Research Question 2 - Interview Question 12 to 16

- What are the perceptions of supply chain retailers on the topic of supply chain collaboration?

#### Research Question 3 - Interview Question 17 to 20

- Is there a willingness to try supply chain collaboration?

#### Research Question 4 – Interview Question 21 and 22

- What are the inhibitors of supply chain collaboration or the sustainability of the concept?

### 5.4.1. What kinds of products do you sell here?

Table 5-2 represents the type of products as named by interviewees. All the stores, except for three, actually stocked all products on the list except for tires, butchery and fast food although not mentioned by the interviewees during the interview, however, on observation the products were available in the stores. The top-ranked product as named by the majority of interviewees as the products stocked in stores were flour, mealie-meal, rice and sugar. Brands across the stores were standard with Koo being the preference for tinned food, Royco for soups, White Star or Ace for mealie-meal and Tastic for rice.

Interviewee 2 answered that, except for meat they also sell mealie-meal (it's their stable food). Lately they are also selling Tastic rice, tinned fish Lucky Star, Koo, Selati sugar (white and brown), sweets, Grandpa and NTSU snuff. Bread, milk and sugar are especially sold in the mornings, because clients do not stock these products at their houses. The shop is their scullery and children are sent to buy bread, tea, Grandpa, powder soap (250 g, 500 g, 1 kg, 2 kg), toiletries, Sunlight (laundry and bath) and Lifebuoy. Lux is sold, but is not very popular.

Interviewee 6: "In here I stock everything from grocery products to toiletries and inside and outside things."

Interviewee 17: " I sell fat cakes, white liver, flour and bread."

**Table 5-2 – Product types sold in stores**

Rank	Product Type	Frequency
1	Mealie-meal / flour / rice / Selati	12
2	Tinned food	11
3	Washing soaps	9
4	Sweets	7
5	Toiletries	6
6	Bread / milk / tea / salt	5
7	Fast food	4
7	Fresh meat (butchery)	4
8	Oil	3
8	Cold drinks	3
8	Medication	3
9	Tobacco products	1
9	Fruit and veg	1
9	Cosmetics	1

#### 5.4.2. Who decides which products are sold here?

Table 5-3 depicts the decision makers of what products are stocked in the stores. The reason cited by interviewees on why they stock the specific products was that it was at request of the consumer. Some interviewees explained how they learn of new products in the market from customers who suggest that they stock the products. The two store owners who stated that they are the deciders on what are sold in stores commented that they make their decisions based on their observations of the community and what their apparent needs are.

Answers were as follows:

Interviewee 3: "We are mainly treated as small shops where people use them to top up on stock when they run short. Our people do not have big pantries, we are therefore their pantries and we need to stock what they need."

Interviewee 1: "Products sold are the products in demand. There is a high demand. People prefer quality not quantity."

Interviewee 1: "Customers say what products they want."

Interviewee 2: "Products sold are in demand by consumers."

Interviewee 3: "Products are sold because of demand and need. Customers are very specific and ask for specific products."

Interviewee 6: "Like if a customer decides that this razors are not the one they use, then I stock them. There is no use of buying stock that your customers will not buy like Domestos. People have dogs here and they prefer Jeyes Fluid as there are multiple uses for it."

Interviewee 6: "I stock according to the people."

Interviewee 17: "I sell them because people like it."

Interviewee 8: "When I started the store before it closed down I made the mistake of stocking things that I thought I would like to drink. I learned then that alcohol actually expires so now I am guided purely by what the community wants."

Interviewee 5: "My wife decides, but is guided by how much money is available and what the customers want most."

**Table 5-3 – Motivation factors on the products sold in store**

Rank	Motivation factors	Frequency
1	What the customers want	11
2	Store owner decides	2

**5.4.3. Please describe the process you go through to stock these products?**

Once insights on what gets stocked and why, table 5-4 shows the most common steps taken to at the beginning of the procurement process. This is the planning stage where informal retailers identify what is needed in their stores.

Interviewee 17: “This gentleman decides what needs to be bought based on out of stock items. He draws a list.”

Interviewee 1: “I draw up a list however I find when I am not available a proper list is not made as my manager is not yet efficient enough. When I am not here I prefer my daughter to help him but now she was unavailable and now there is no chocolate available in the store.”

Interviewee 16: “Even if the stock has not run out we stock is as it is a fast moving product that we find on special.”

Interviewee 5: “ My wife stocks according to what is out of stock.”

**Table 5-4 – Process followed in replenishing stock**

Rank	Motivation factors	Frequency
1	Draw a shopping list	6
2	Replenish based on fast moving products	5
3	Out of stock items	3
4	Wait until customers start complaining	1

**5.4.4. From whom do you purchase stock?**

Table 5-5 is a depiction of the overlap in the wholesalers used for stocking the products. The majority of the interviewees stated that they used Devland, Jumbo, Metro Cash, Carry, and Kit Kat most frequently. The overlap would determine the viability of using shared transport to deliver stock from the wholesalers.

A new aspect that the researcher was not aware of is several brand houses such as Coke, Unilever and Kellogg's which send representatives to take orders and deliver stock to the informal sector retailers. This initiative by brand houses seems to assist the retailers in saving on travel costs and time.

Interviewee 6: "I stock everywhere, it's a trick I saw before I started this store, if there is a special at Pick N Pay and stock is cheap then I will go there. I am sure Pick N Pay I visit them twice a month. However, mainly I stock at Devland and Kit Kat. They are the stores I use most often."

Interviewee 8: "I inherited a liquor licence and due to that I am not able to go SAB directly so I go to the Liquor wholesaler in devland. I go there because it is the closest. The only time I will go to Makro or Distell when I am around there. The prices you will find are not as cheap to make up for the travelling costs."

Interviewee 1: "Roots and Gauteng chicken for meat and for the groceries I purchase from Devland mainly as it is the closest."

Interviewee 16: "I shop everywhere as I look for specials."

**Table 5-5 – Suppliers**

Rank	Supplier	Frequency
1	Devland Cash and Carry	12
2	Jumbo Cash and Carry	8
3	Metro	5
3	Kit Kat	5
4	Kliptown	4
5	Representatives deliver	3
6	Makro	2
7	Africa Cash and Carry	1
7	Gauteng Chicken	1
7	Roots	1
7	Midway Liquor wholesaler	1
7	Johannesburg CBD	1

#### **5.4.5. How often do you buy them?**

Table 5-6 depicts that all the interviewees purchase stock more than once a week with the majority of interviewees saying that two to three times a week was the norm. With the frequency of which the interviewees conduct their supply chain tasks, it would be

advantageous if the numerous trips were actioned by different stakeholders in order to lessen the burden of transport costs.

One retailer commented on how she stocked on a daily basis as things run out at different speeds in the store. How often retailers conduct supply chain activities is also governed by the availability of funds in their accounts or the irritability of clients. Retailers will then stock the item to avoid losing the customer to another retailer.

Interviewee 1: Three times per week depending on how things were bought. The status of the bank account first needs to be considered.

Interviewee 3: If an item is finished and is causing unhappiness, he will go and buy it immediately.

Interviewee 16: " I go everyday as even if I don't purchase, I see what specials are coming."

**Table 5-6 – Frequency of purchases**

Rank	Store visits per week	Frequency
1	2 - 3	10
2	3 - 4	3
3	1 - 2	1
3	Daily	1

Another factor that determines how often retailers stock up is the mode of transport used in the supply chain process. Table 5-7 is a depiction of the modes of transport used with most of the interviewees declaring the preferred mode of transport as their personal vans. These vans, being small, also limit the amount of stock that can be purchased at any given time. It is therefore one of the reasons why multiple trips are made to suppliers. The second mode of transport for those not fortunate enough to have their own vans is public transport. This mode also inhibits the amount of stock that the retailer can purchase each time. One interviewee expressed how he would have to pay for the seat that his stock would occupy in public transport; however, he still found it the cheapest way to get stock to his store.

Interviewee 6: “Most of the things the representatives deliver, however it is the things that they do not deliver that finish quickly and need me to go several times to the store.” The one thing that runs out the fastest is the flour.”

Interviewee 16: “Stocking is a daily task as even if you are not buying you still need to go into the store to see what specials are available. Even when things are not out of stock if we find it on sale we purchase it as it is bound to run out soon.”

Interviewee 8: “Currently we stock three times a week. We have tried to develop a stocking system based on our stock turnover. The quarts are mainly for Monday to Thursday then on Friday I stock the spirits as those sell mainly during the weekend.”

Interviewee 16: “ I use the truck to purchase stock as it is big enough.”

One respondent however referred to how foreign owned shop owners collaborated in hiring larger vehicles that have the capacity to deliver multiple stores’ stock at once. Others simply rely on the services provided by some brand houses.

Other retailers rely on the services provided by brand houses such as Coke and Unilever, who make deliveries to multiple stores at a certain time through the collection of orders taken by local sales personnel. This practice was, as stated by one retailer, very popular, but it was stopped by other brand houses due to the safety of vehicles, which would be hijacked or looted before reaching their destinations. The practice does however seem to be on the rise again as several retailers referred to making use of these services.

Interviewee 1: “Purchases are made with own van and multiple trips.”

Interviewee 3: “Salesmen used to deliver stock, but because of robberies and hijackings stock has to be personally fetched.”

Interviewee 6: “I save R200 for stock, I use a taxi not private transport as a private car would cost me more. Usually I take two seats in the taxi and I pay for both seats.”

Interviewee 17: “I take the Hilux a Bakkie.”

Interviewee 8: “ I use the Bakkie.”

Interviewee 8: “The whiskey suppliers used to deliver however they no longer do due to being hijacked. Some representatives still however take a chance to deliver to informal sector stores.”

**Table 5-7 – Mode of transport used**

Rank	Type of transport	Frequency
------	-------------------	-----------

1	Own transport van	12
2	Public transport	2
3	Truck	1
3	Rent transport / Friends transport	1

#### 5.4.6. How / who gets the stock to the store?

As an individual retailer usually runs these stores, the supply chain process removes the retailer from their store while they source goods for the store. Table 5-8 shows that store owners bear the burden of conducting the supply chain activities for their stores. As these stores are run to support families, the store is left in the care of a family member while the owner is conducting supply chain activities.

Interviewee 5: expressed how the store was actually his wife's initiative after she became unemployed and that, although he has a full time job during the week, he works in the store on weekends to allow her time to purchase stock for the store. If the store needs to be manned during the week, she will wait for their son to arrive from school to run the store. He did however indicate a disinterest from their children for running the family business and raised a concern on the continuation of the store if anything were to happen to his wife and himself.

Only one retailer expressed that they make use of a driver, however, they still prefer a family member to accompany the driver to ensure that minimal mistakes are made when conducting supply chain activities.

Interviewee 1: Stock is transported by the driver with an assistant, depending on the amount of stock. If it's a big order, the owner's daughter accompany the driver, for he prefers her to go, as she knows the business and grew up in it.

Interviewee 7: "I take time out of the store to do the stocking myself."

Interviewee 16: "I go stocking myself as I do not trust anyone with the money."

Interviewee 8: "My husband or I go to the shops to stock."

**Table 5-8 – Who does the shopping**

Rank	Purchasing procedure	Frequency
1	Done by owner	12
2	Done by family member	2
3	Done by driver	1

#### **5.4.7. What are some of the challenges you have experienced with your supplier (time, price, reliability, safety, out of stocks)**

Table 5-9, is a representation of what most of the interviewees expressed that they had little to no problems with their current suppliers with an equal amount expressing out of stock items as a major issue. Some highlighted that some may sell expired or close to expiry products. What was evident, however, was that all the interviewees used several suppliers and if they did not find one product at one supplier, they would surely find it at their next choice. In terms of choice of supplier, other than proximity to the interviewee's stores, price was also a determinant on which supplier they would shop from. Price hikes usually lead the interviewees shopping around for specials.

Interviewee 1: "At times, if you are not observant, suppliers might sell you already expired products. We ran out of Borstol during the winter because of this."

Interviewee 3: "It is important to jump around and go to several cash and carries to compare prices."

Interviewee 6: "Monday to Wednesday, the representatives come so I am in store. Monday is Coca-cola, Tuesday is Unilever and Wednesday is for Cigarettes then on Friday, Saturday and Sunday, I go to the store myself to fetch the stock they do not deliver."

Interviewee 16: "The main issue is price, as they give lower prices to their friends. What price you get depends on who you know furthermore traveling with cash is simply not safe."

Interviewee 8: "The representatives are unreliable, the promise to deliver and they do not. I had an event activation set for a particular date and the representative who was meant to arrive with the free stock did not arrive. He arrived on a day where I was not prepared to run the promotion. Furthermore, they are dodgy in that they sell fridges that are meant to be given to suppliers and this becomes a problem once the fridge breaks, as the supplier is not aware you are in possession of the unit, they simply do not service it."

**Table 5-9 – Problems experienced with suppliers**

Rank	Risk	Frequency
1	Out of stock	6
1	No issues experienced	6
2	Price	5
3	Safety	4
4	Expired stock	3
5	Unreliable representatives	1

**5.4.8. How do you pay for your stock?**

Table 5-10 shows that the method of payment used by all the interviewees was cash. One interviewee expressed that the suppliers no longer offer credit due to the nonpayment of previous customers. They also do not accept cheques as they have the chance of bouncing; the stock has already left the store after being paid by cheque and they are then unable to recoup payment from retailers. Due to a breakdown in trust, suppliers apply a standard cash and carry option for all customers.

**Table 5-10 – Payment method for stock**

Rank	Payment type	Frequency
1	Cash	13
2	Card	1
2	Account	1

Interviewee 1: Paying in cash.

Interviewee 16: “They predominantly take cash, however some allow card payments but they cap the payments at about 10 000.”

Interviewee 8: “Currently with my supplier Heineken, I am on a 7 day account arrangement.”

**5.4.9. How would you like to pay for your stock?**

Table 5-11 explored the different payment methods that the retailers would prefer when purchasing from the supplier. The most preferred method of payment was cash as some

interviewees expressed their dislike for credit. Others suggested the option of a seven day account which would allow the flexibility of receiving stock when cash is not yet available; when products have been sold and cash becomes available, the supplier would be paid within a seven day period. Two interviewees suggested the option of a monthly account. Interviewee 8 however cautioned against the risk of longer credit periods.

**Table 5-11 – Preferred payment method**

Rank	Payment type preferred	Frequency
1	Cash	10
2	7-14 day account	3
3	Monthly account	2
4	Electronic cash transfer (EFT)	1

Interviewee 1: “Cash is the preferred way of payment. It also protects you from cheques that bounce due to no funds.”

Interviewee 3: “Credit would be preferable, but at times you may find that you have bought more stock than needed and then it does not sell as fast as it should when the money is needed.”

Interviewee 17: “I would prefer EFT payment as it decreases the risk of carrying large amounts of cash. I have heard stories of fellow store owners getting robbed on the way to wholesalers”

Interviewee 8: “ Heineken has several options from a 7 day to a 21 day however I find the 21 day option to be dangerous as if the store is your only source of income, there is a risk of the money being used for other things and thus causing the retailer to default in payments.”

#### **5.4.10 – How do you decide on the prices you charge?**

The majority of the interviewees acknowledged that their competitors were a factor to consider when they set prices. Others also consider the cost at which they purchased the goods to determine prices. A few interviewees have set a standard percentage at which they mark prices up by.

Interviewee 1: “I decide on mark-up.”

Interviewee 3: “Look around and assure that prices are reasonable.”

Interviewee 17: “Firstly we look at the prices we bought the stock for, I then add my 30% mark-up on most of my products however I still consider the prices of the stores around me including Maponya mall and the foreign owned stores around.”

Interviewee 8: “I use the recommended retail prices as set by the brand houses I interact with. With the other stock that I purchase myself, and use the recommended prices from the other brand houses to decide on a fair mark up.”

**Table 5-12 – Factors considered in the setting of prices**

Rank	Factors considered	Frequency
1	Competitor prices	8
2	Affordability of buyers	4
3	Purchase price	3
4	Set mark ups	2
5	Recommended prices by supplier	1

## 5.5 Results for research Question 2

### 5.5.1. If I were to say, “Supply chain collaboration” – what does it mean to you?

This question required a more in-depth explanation before interviewees could respond as most interviewees were not aware of the terminology of supply chain collaboration, however, once explained the majority of the interviewees saw it as a positive concept. These opinions are depicted in Table 5-13. After explaining the concept, only two of the interviewees were still uncertain of their views on the concept; one of which expressed her inability to reply, as she did not want her views to represent the views of her employer. These interviews were disregarded for the purpose of this study.

Interviewee 4: “I understand the concept of supply chain collaboration as buying together and the negotiation of prices with suppliers to get more favourable prices and paying terms with the supplier.

Interviewee 6: “I once tried it with the two spaza shops near me but the thing about black people is that when I have R10 000 and another has R5 000 and the other shop owner R2 000 then jealousy arises.”

Interviewee 8: “I think it is the collaborative buying of like stores in order to gain the benefits from things such as bulk discounts.”

**Table 5-13 – Opinions on supply chain collaboration**

Ranking	Opinion	Frequency
1	It is a good thing	13
2	I don't know	0

**5.5.2. Have you heard of storeowners doing this?**

Table 5-14 is a representation of how many interviewees were familiar with either someone involved in supply chain collaboration or were involved themselves. The majority of the interviews expressed that they have heard that supply chain collaboration is what gives foreign-owned stores their competitive advantage. Interviewee 9 expressed how they were a force that worked together very well. His sentiments were echoed by Interviewee 14, who elaborated on how the foreign owners who she rented her stores to practised supply chain collaboration.

Interviewee 9 recalled an incident where he attempted to be part of Bambanani, which was a collaboration of black store owners which mainly worked with Makro. While he was in the application process to join the group, his neighbour who owns a butchery saw him. He credits his neighbour for the failure of his application to join the group as he says his neighbour told the group that he was not willing to be part of the group if they allowed Interviewee 9 into the group as his store was in close proximity to his. At this time, the neighbour was running a butchery, but with the specials he received from being part of Bambanani, his neighbour then transformed his store into a grocery store thus competing head-on with Interviewee 9.

Interviewee 1: “My husband used to be a part of such a group with his brothers but it has since devolved.”

Interviewee 3: “Several groups were joined and started one as well.”

Interviewee 16: “Yes I used to be part of such a group.”

Interviewee 17: “Although we don't buy together we share transport and work together with four other store owners.”

Interviewee 7: “You know I have never heard of any one doing it, it simply has not crossed our minds.”

**Table 5-14 – Reply to if there is an awareness of retailers' currently practising supply chain collaboration**

Ranking	Reply	Frequency
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1	Yes	10
2	No	3

### 5.5.3. If yes, what have you heard?

Table 5-15 expresses the main responses of what the interviewees have heard. While the most common response was that foreign-owned shops were practising it, Interviewee 2 and 4 had more insights and explained how group members would collect orders from supply chain members and then would look at specials from different wholesalers, or if a relationship already exists, they would directly negotiate with the manufacturer. Only a few interviewees knew any of the supply chain collaborating groups by name. As stated by Interviewee 9 there were groups such as Bambanani and Lucky 11, although he did express that he no longer knew if they still exist, as he no longer saw their fliers anymore.

Interviewee 6: "Yes, I have heard of these groups however not anywhere near me, I am however looking to join such a group. A man contacted me on face book suggesting we collaborate on face book. He sells cooked food and I do not so I thought that it will be best to collaborate, however nothing ever came of it."

Interviewee 17: "Let me explain to you, in our group we are four stores that are close to each other, we currently use one van and if someone is going to the store then we also go for each other. We however do not purchase all together because different things finish in the stores at different times, what works for us is the sharing of the car at the moment."

Interviewee 8: "I am not sure if it counts as supply chain collaboration however there is a group that adopts liquor stores once they seem to reaching certain sales. They then assist them in getting stock however they dictate at what price you should sell your stock."

Interviewee 7: "It is apparently what the foreign owned shops are doing."

Interviewee 14: "It is what the foreign owned shops are doing. I currently rent my stores out to them and I tell you they know how to buy together. You will see a big truck stopping and offloading stock then going to another store."

Interviewee 4: "They have their own cash and carry out in Fordsburg where only they shop and they benefit from economies of scale and bulk discounts."

**Table 5-15 – What those who have heard of collaborative groups heard.**

Rank	What was heard	Frequency
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1	Foreign owned shops practise it	6
2	Buying in bulk then splitting stock to get discounts	4
3	Purchasing groups known by name	3
4	Portuguese group	1

#### 5.5.4. From what you have heard, how do these groups work?

Table 5-16 is a representation of the process as explained by several interviewees. Interviewee 9 explained that Bambanani would meet every Wednesday to look at what products were needed by their members. They would then look at, for example when it comes to mealie-meal, what the preferred brand for the community is – White Star or Ace. The group would then go to Makro and negotiate with the wholesalers on a pallet prices. Furthermore, the groups are used to put together stock combos based on the stock most requested by collaboration partners. They will then negotiate combos, which include mealie-meal, sugar, tinned goods and oils and spreads.

Once the prices have been negotiated, the groups are consulted and 25 % of the payments are collected to secure the deal with the supplier. The stock is then delivered with the balance payable over the duration of the month. The groups would negotiate payment terms and specials on behalf of the group.

Interviewee 2: “We would meet once a week to plan the shopping for the week. We would then divide the money based on the shopping lists and those who had contacts would then negotiate with their suppliers to get us bulk discounts on pallets or strait from the manufacturer.”

Interviewee 14, however, expressed that the collaborative group that she was a part of, failed to mobilise efficiently because of infighting and the fight for positions in the organisation. The group had been there for years; however, it was always the same arguments each time. This group used to meet once a month.

Interviewee 16: “There was one individual who was dedicated to taking care of the groups’ administration. They would take all lists, coordinate payments and source specials for the group with the assistance of other collaborative members.”

Interviewee 3: “The stock would arrive at one store then we would all arrange to come fetch it. Our stores were starting to look nice and we would visit each other to see how our stores are doing”

**Table 5-16 – Activities conducted in collaborative supply chain groups**

Rank	How groups worked	Frequency
1	Weekly meetings	6
2	Members leveraging off supplier relationships to negotiate deals	5
3	One supplier truck delivering at one store	4
3	Monthly payment of suppliers	4
3	Information sharing	4
4	Combination of shopping lists	3
4	Planning of shopping	3
4	All members to pick up their stock from a designated store	3
5	Collection of money	1
5	Store visits by others to share best practices	1

Interviewee 1: Working together makes sense because of co-operation and you get an idea from other buyers on what currently is in circulation.

Interviewee 3: “Tasks are handed out to everybody.”

Interviewee 3: “Meetings were held once a week while having breakfast and reaching an agreement.”

Interviewee 3: “Stores will be visited to see if the stock that was ordered has arrived and whether the shop looks better or not.”

Interviewee 16: “We would meet every Mondays to plan, then we pool together R2500 and we purchase for the store whose turn it was that week. Stores take turns in being funded for stock. When it is your turn to be purchased for the items on your list are bought for you delivered to the administrators store then you go pick up your stock.”

Interviewee 17: “There is no one method really who ever needs to go uses the car and goes. They will however check if anyone needs anything and will bring it for them.”

## 5.6 Results for research Question 3

### 5.6.1. What in your view are the advantages of doing this?

Table 5-17 is a representation of the advantages of supply chain collaboration as stated by interviewees. Cheaper prices and bulk discounts were the highest ranked benefit to join a supply chain collaboration group. Interviewee 4 expressed how more products

could be bought to fill the stores while Interviewee 3 expressed how beautiful the stores looked during the collaboration process as cheaper stock meant fuller stores. The time saved as deliveries were brought closer assisted store owners to focus on the daily operations of their stores.

Another advantage mentioned by Interviewee 3 was the information transferred between channel members where information on best practices was shared during store visits, as. Interviewee 3 explained how store visits would rotate with others assisting in sharing information to help solve each other's problems. Better payment is also a benefit stated by interviewees. Although an advantage, not all the members were able to meet the terms and therefore a disadvantage to those who could.

Interviewee 1: "The store was much fuller and we were able to take advantage of stocking products that other stores did not have access to especially in toiletries. The store was more successful back then in terms of sales."

Interviewee 2: "it saved time as we were able to spend more time tending to our stores instead of looking for deals."

Interviewee 3: Stores were starting to look lively.

Interviewee 6: "It allows for people to have more stock because we all buy together and they share the stock, however Devland has a buyer zone where you as a sole store owner can go in and negotiate your price."

Interviewee 16: "It is definitely the bulk discounts."

**Table 5-17 – Advantages experienced in supply chain collaborative groups**

<b>Rank</b>	<b>Advantages</b>	<b>Frequency</b>
1	Cheaper prices / Discounts	5
2	Money purchases more stock	4
2	Information transfer	4
2	Mutual benefit	4
3	Shared transport thus saving money on transport costs	3
3	Better payment terms	3
4	Fuller looking stores	2
4	Savings in time	2

**5.6.2. What are the disadvantages of doing this?**

The main disadvantage as highlighted in Table 5-18 is that all stores sold the stock at the same rate. This problem results in stock unfortunately not selling at the same rate in all stores; therefore not all stakeholders would have the resources to participate in every round of purchasing, thus limiting the overall buying power of the group, as the demand for stock is not consistent.

The second major disadvantage as a result of the first main disadvantage is that, once purchasing partners have committed to taking stock, not all of them have sold enough of the stock to meet the allocated payment terms when due. This then puts a financial burden on the rest of the supply chain members to finance the defaulting partners' purchases so that they do not lose the relationship.

Interviewee 1: "Disadvantages are to bring all the differences into the team."

Interviewee 3: "A disadvantage is when someone says that they need so many things but when it is time to pay, they can't pay and the other members need to cover the shortfall because there was a set agreement."

Interviewee 3: "We order stock and agree to fetch it when it is delivered, but when the truck arrives everyone does not pitch up although they have ordered the stock. Then there is more stock that your store can handle."

Interviewee 16: "People started to get greedy and do things that were not agreed on. There was no written contract and rules were simply agreed upon and thus easily broken."

**Table 5-18 – Disadvantages experienced by supply chain group members**

Rank	Disadvantages	Frequency
1	Not all stores sell the stock at the same time	5
2	Financial burden on paying partners	4
2	Different sized stores are unable to collaborate	4
3	Rules of engagement being broken by partners	3
4	Over ordering and underselling	2
5	Clashing characters	1

### 5.6.3. Have you ever tried or considered joining such groups?

Aspects that worked	Aspects that did not work
It brought the family together (built relationships)	The allowance external members want to exploit the buying power for their own gain
The constant meetings meant that there was a constant flow of timeous information	Over confidence in one's ability to negotiate deals on their own
Stores were able to take advantage of prices	The partnering of firms that were too different in sizes
The sharing of tasks to find specials/ one admin team	
Getting suppliers to deliver goods	
Collaborating with stores that sold the same products	

Table 5-19 shows the willingness to partake on collaborative supply chain management in the hope of achieving said benefits. The question will also explore what the experiences of those who have or are still part of such collaborative networks view as the benefits.

**Table 5-19– Consideration on joining a supply chain collaboration**

Ranking	Answer	Frequency
1	No	8
2	Yes	7

## 5.7 Results for Question 4

### 5.7.1. In your view, which aspects worked and which didn't?

Table 5-20 is a representation of what interviewees viewed as aspects of the collaboration that worked and aspects that did not work.

**Table 5-20 – Continued participation in supply chain collaboration**

Table 5-21 looks at the different levels at which the interviewees have interacted with supply chain collaboration. It also looks at the interest in supply chain collaboration after having a discussion on the topic. Most of the interviewees showed an interest in participating in supply chain collaboration once the benefits were discussed.

Interviewees who had been part of these groups showed interest in re-joining although some may not be able to as they no longer run their stores. At the time of the interviews, none of the interviewees was involved in supply chain collaboration.

**Table 5-21 – Interest shown in supply chain involvement**

Ranking	Involvement	Frequency
1	Interest in future involvement	7
2	Interest in re-joining	5
3	No interest at all	3
4	Current involvement	0

Interviewee 1: Always consider it, but there is always some trouble. Township mentality is a problem. If it was in a different area it might have perhaps worked, but Sowetans will always be Sowetans. People in the location also consider witchcraft. You will be willing to try, but then they will say that you are bringing in the Pakistanis. People are scared of competition. Another problem is that other owners look at your business and say that you have more customers than they have and that is what actually the main issue is.

### 5.7.2. Are you still involved in the group, why or why not?

Interviewee 11 expressed that the inhibitors of successful supply chain collaboration was the inability to agree and work together because of personal infighting for positions within the organisation. There was a lack of trust in the skills of the people put in charge to run the collaborative partnership.

Interviewee 3: “Fellow black brothers are no longer around and shops are now owned by foreigners.”

Interviewee 1: “The group my husband was involved in unfortunately dissolved after the main coordinator of the group passed on. The remaining members no longer seemed to have an interest in the collaboration. My husband then went on to start a livestock business. His focus is now on that not the store.”

Interviewee 11: “Another issue was the lack of togetherness of collaborative partners with others refusing to work together citing differences in culture and ethnic background. The other reason for failure was that they would bring in members who were not part of the collaboration and give them roles in the organisation. It looked like the practice of fronting done by white companies whose intentions within the group were never made clear. “

Interviewee 11: “The group would then reject the participation of these people due to a lack of understanding the roles each party was meant to perform in the organisation.”

The interviewees who had been involved in collaborative supply chain activities commented about the benefits of the collaborations.

Interviewee 17: “Yes I am still involved as when you are a business irrespective of what kind of business you are you need to the right things when you are in a collaboration. We need to be smart and combine our efforts in working together. Respect goes a very long way in preserving these relationships and is important in maintaining relationships.”

This question aims to establish what the informal sector retailers personally view as the reasons why supply chain collaboration is a factor or what they have experienced and observed themselves regarding collaboration as well as the barriers of collaboration. This question aims to reflect on the role of trust in supply chain collaborations and what transgressions member stakeholders have experienced or heard of that have broken past supply chain collaborative network efforts.

Those who have interacted with the groups cited the power-seeking nature of some members which led to the group’s purpose becoming clouded by politics. Over and above politics a lack of rules was the main result of the collaboration attempts falling apart.

The compatibility of collaborative partners was also an issue with some interviewees citing that, although they may stock the same things, each store’s stock moves at a

different rate and therefore some of the deals are simply not suitable for all of the collaboration members. Stock turnover also leads to the shortage of available funds when it comes to honouring payment agreements. The shortage of funds by some members would thus impact other collaboration members negatively as they would scramble to put together the funds to cover the shortfall in order to maintain their relationship with the supplier.

Another reason cited for the dissolution of these groups was the loss of shops due to the slowing down of business, due to other factors such as the introduction of formal retailers into the township and the emergence of foreign-owned shops. Trust was also a factor highlighted by mainly those who had never participated in collaborative supply chains. They cited that there is a common distrust that exists among informal retailers in Soweto.

Interviewee 4: “For us to come together and open a wholesaler together or asking a black person to each take out R 100 000 is near impossible. We are all pushing in different directions. Collaboration works for them and used to work for my parents because they all came from Lesotho and decided to club together.”

Interviewee 4: “Government tried to start a collaborative initiative however they ended up partnering with Pick n Pay. Initially they started the initiative and had given store owners cards to purchase stock, however payments became a problem because people would come and take large levels of stock and simply not pay. The main issue is getting people to pay them back and the sad thing is if I had gone to Old Mutual and asked for funding for a supermarket the bank would say it would not work however having joined Pick n Pay and Piggy backing off its systems has allowed for us to get loans”

Interviewee 16: “Unfortunately the store owner who was in charge of our administration used to use the money for other things. People then lost trust in the system and stated dropping out thus the collaboration dissolved. I no longer trust anybody with my money.”

Interviewee 8: “We have tried on two occasions once with a store not far from here and the owner refused. We suspect him though we would steal his customers but the store is rather far in distance. The store down the road is a shebeen and has unfortunately been known to sell fake stock, so we fear that we cannot trust them to purchase quality stock for us. We have also found that people are reluctant to sign contracts to agree on collaboration norms and would rather commit to verbal agreements that have no repercussions when broken.”

Interviewee 17: “I find that the work ethic of foreign owned store owners is strong. They work very hard and our people just need to work as hard and stop expecting things to

come easily. They are now renting out their stores because they prefer easy income instead of handwork.”

Interviewee 2: “When you are an entrepreneur you cannot like having a social life. Some of our brothers no longer have their shops and are renting them out to simply earn an easy living. They are lazy and the reality is they are no longer earning as much in rental as they were when they were running their stores.”

**Table 5-22 – Inhibitors of supply chain collaboration**

Rank	Reasons	Frequency
1	Loss / lack of trust	6
1	Jealousy	6
2	Loss / lack of stores	4
2	Members need for independence	4
3	Laziness	3
4	Power struggles	2
5	Reliability	1

## 5.8. Other insights from interviewees

The main insight that was mentioned in the majority of interviews was the presence of foreign-owned retailers. Interviewee 3 and 14 both expressed that their stores are now being rented out to Somalians and Pakistanis. Their reasons for this were that it simply became impossible to compete with them in terms of prices as they collaborate in their supply chains.

Interviewee 3 expressed that they are in control of their supply chain even going as far as owning their own cash and carry in Fordsburg Johannesburg where the majority of them commit to purchasing their stock. Interviewee 14 expressed how they combine resources to hire trucks big enough to deliver their stock to several stores thus again limiting their costs.

Another insight was the conversion of some of the outlets into Pick n Pay stores from stores that were previously mini-markets. Interviewee 4 had converted their store into a Pick n Pay after expressing that they too found it difficult to compete with foreign-owned shops.



# Chapter 6: Discussion of results

## 6.1. Introduction

Chapter 6 is a comprehensive discussion of the findings represented in Chapter 5. Using the refined data that has been coded to allow for insights drawn from the 13 interviews that were chosen to be included in this study, the findings will be discussed with reference to the literature that was reviewed in Chapter 2 using the structure highlighted in the data analysis section as annotated in chapter 4 in order to answer the questions represented in chapter three.

## 6.2. Discussion of results for Question 1

This question aimed to assess how the retailers interact with their supply chain. It attempted to depict how supply chain management is currently conducted as compared to what supply chain management literature suggests.

Table 6-1 is a representation of data based on the top three ranked replies in the process of understanding the initial deciding factors that inform the supply chain process and which stake holders are interacted with or taken into consideration. The top ranked consumer products as mentioned by interviewees was the category of mealie-meal, flour, rice and sugars. Ranked second was tinned food and at third were washing soaps.

**Table 6-1: Comparison between top three results for interview Question 1, 2, 3**

<b>Research Question 1: What are people doing?</b>			
<b>Rank</b>	<b>Interview question 1 shown in table 5-2  What kind of products are sold here?</b>	<b>Interview question 2 shown in table  Why do you sell these products</b>	<b>Interview question 3 shown in table 5-3  Who decides which products are sold here?</b>
1	Mealie-meal / flour / rice / Selati	It is what the customers want	The customer decides
2	Tinned food		The store owner decides
3	Washing soaps		

The informal sector retailers who that highlighted that they were the sole decision makers as shown in table 6-1, did however admit to being highly influenced by the needs of the community they operate in. Tudler and Keen (2018) suggest that supply chain collaboration could be a solution to firms' alleviation of their inability to fully meet the needs of the society in which the firm functions. In reality all informal sector retailers have a common goal, namely to serve their immediate communities with consumer products that they need. This commonality is a basis for collaboration. Based on these findings, the current supply chain of the informal retailers in Soweto entails firstly understanding what customer preferences and needs are supplying them in the form of the products that they stock.

**Table 6-2: Comparison between top three results for interview Question 4, 5, 6, 7, 8**

<b>Research Question 1: How exactly do they do this?</b>					
<b>Rank</b>	<b>Interview question 4 shown in table 5-4</b>	<b>Interview question 5 shown in table 5-5</b>	<b>Interview question 6 shown in table 5-6</b>	<b>Interview question 7 shown in table 5-7</b>	<b>Interview question 8 shown in table 5-8</b>
	<b>What is the process you go through to stock these products?</b>	<b>Who do you buy them from</b>	<b>How often do you buy from them?</b>	<b>How do you get stock to the store?</b>	<b>How do you pay for stock</b>
1	Draw a shopping list	Devland Cash and Carry	2 - 3	Own transport van	Cash
2	Replenish based on fast moving products	Jumbo Cash and Carry	3 - 4	Public transport	Account
3	Out of stock items	Metro	1 - 2	Rent transport / Friends transport	

Table 6-2 is a depiction of the activities that are practiced while interacting with stakeholders in the supply chain to source the products as mentioned in table 6-2. In order to remain competitive stores need to remain stocked as not to lose customers to competitors. Ranked 1<sup>st</sup> in the process of purchasing stock was the importance of making lists. Ranked second was replenishing based on the knowledge of fast moving products and thirdly was out of stock items.

Van Lin and Gijsbrechts (2014) suggest that the need for retailers to remain competitive lies in the ability to understand their consumers. Stores which do not timeously stock the products needed by the consumer leads to poor service quality and affect loyalty, for the consumer might have a propensity to easily switch to another store due to the close proximity of these stores. Loyalty is a concept that affects supply chain retailers in respect to where they shop themselves. The section below looks at where informal sector retailers purchase stock for their stores and is compared with customer loyalty literature from Van Lin and Gijsbrechts (2014).

As seen in table 6-2 Two to three trips to suppliers per week was the 1<sup>st</sup> ranked reply while three to four times a week was ranked 2<sup>nd</sup> while once to two times a week and every day were both ranked 3<sup>rd</sup>. The frequency at which the retailers have indicated that they source products from is a similarity that can be exploited for the basis of supply chain collaboration. In essence, each retailer goes to the same store and at times at the same time as indicated by an interviewee who shared that his brother is also a retailer, yet they do not purchase together. One interviewee shared that they frequently meet at the same stockist and interact while they shop. Then, once done, they head to their own vehicles and go to stores that are less than 3 km apart. The inefficiency highlighted above is supported by Baksi & Bose (2016) who characterise informal sector firms as inefficient and run by entrepreneurs who seldom have the skills to run their firms productively. However efforts are made to be productive in solving the problems they encounter when dealing with their suppliers.

Interviewees through their frequent trips to different suppliers solved the issues highlighted ranked as the top three frustrations when interacting with suppliers as stakeholders as shown in table 6-3. When asked where the interviewees purchased for their stores, several expressed the need to shop around for specials. Several interviewees expressed the need to be aware of which stores had specials in order to save on procurement as much as possible. The common practice of chasing specials is therefore another similarity that retailers share which would make supply chain collaboration an advantage to them. Another factor to consider when interacting with supply chains is the payment of goods which is highlighted in table 6-3. Cash was the most preferred method of payment ranked 1<sup>st</sup> while varying accounts were ranked 2<sup>nd</sup> and 3<sup>rd</sup>.

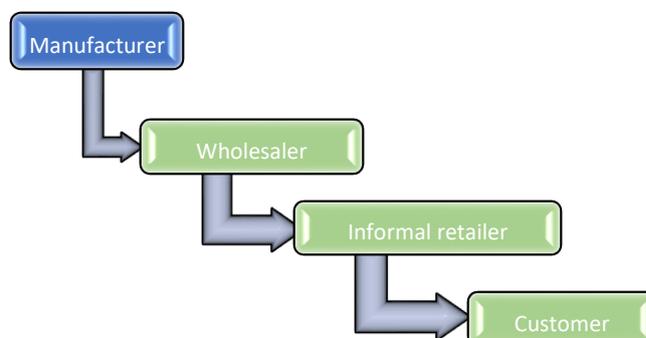
**Table 6-3: Comparison between top three results for interview Question 9, 10, 11**

Research Question 1: what do people characterise and understand what is going on?			
Rank	Interview question 9 as shown in table 5-9 What challenges do you experience with suppliers?	Interview question 10 shown in table 5-10 How would you like to pay for stock	Interview question 11 shown in table 5-11 what informs what prices are charged
1	Out of stock	Cash	Competitor prices
2	No issues experienced	7-14 day account	Affordability of buyers
3	Price	Monthly account	Purchase price

As seen in table 6-3 informal retailers interviewed expressed that competitor prices (as ranked 1<sup>st</sup> with a frequency of eight) was their main influencer when deciding what prices to charge in stores. Rated 2<sup>nd</sup> was the affordability for the consumers the store. Purchase price was ranked 3<sup>rd</sup>. As a second ranked response, is the affordability of buyers which is supported by Joo & Shin (2018) who express the importance of customer participation in decision making. As the existence of the informal sector is as suggested by La Porter and Schleifer (2015) a result of poverty the price sensitivity of customers' needs to be considered in order to retain customers.

The highest ranked influencer on pricing supports Van Lin and Gijbrecchts' (2014) argument (that there is a war on prices in Soweto's retail sector) is intensifying with the amount of new competition entering the market.

### 6.2.11. Conclusive findings for research Question 1



**Figure 6: an illustration of informal sector retail supply chain as per the findings in question 1.**

Figure 4, is a depiction of the informal retailers' supply chain. As per the findings in question one, many informal retailers interact mainly with the wholesaler in the form of cash and carries and the customer. Several retailers indicated that manufacturers such as Coca-Cola, Unilever and Kellogg's would send representatives to assist in the informal retailers' procurement process of the products that they represent.

Although the findings of Igumbor, Sanders, Puoane, Tsolekile, Schwartz, Purdy, Swart, Durao, & Hawks, suggest the reliance of manufacturers to distribute their products to customers lies mainly on formal retail chains, the findings show the interest in wholesalers to interact with the informal sector retailers as a distribution channel. This finding is supported by the strategy developed by Coca-Cola in the 1990's which aimed to double the sale of their products through increasing consumption. In order to increase consumption, they made their products more available to the informal sector by encouraging people to set up informal supply chain infrastructure in the townships that would assist in the ease of supplying Coca-Cola through the informal sector distribution channels (Igumbor, et al., 2012).

Therefore, retailers currently interact predominantly with wholesalers who supply goods to them on a cash only basis, there is a willingness by manufacturers to collaborate with informal sector retailers in order to assist informal sector retailers in cutting out wholesalers who add on their mark-up before selling on to informal retailers. This markup charged by wholesalers therefore leads to the inability of informal sector retailers to compete in terms of price. Other opportunities in their current supply chain activities were identified where resources could be shared to create value for the consumer.

Question 1 found that there were similarities in the way that the informal retailers in Soweto conduct their supply chain tasks. These similarities were evident in their selected store catalogues with all but one store including household convenience goods. 14 out of 15 stores were therefore in a market catering for the same consumer.

Joo and Shin (2018) in their definition of customer participation highlight the ability of customers to influence the way in which products and services are delivered to them. This is evident in the similarity highlighted in the agreement of all interviewees that the products they stock are influenced by the needs of the communities in which they

function. Although two interviewees expressed that they were the deciders of the product catalogue in stores, they acknowledge observing the needs of the community in which they function in shaping the products that they stock in their stores.

Although the customer is a positive alliance to have in supply chain collaboration, Interviewee 7 and 8 both highlighted the difficulties they face with untrustworthy clients who only purchase from South African owned stores when they require credit, however, when it is time to honour their debt, they walk on the opposite side of the street and go to foreign-owned businesses who, according to Interviewees 2, 3 and 14, sell the same products, however, they are not flexible on their cash only stance.

Some interviewees further elaborated on how the foreign retailers, while offering longer trading hours as they sleep in their stores, had different prices after hours as compared to during the day when more competing stores are open. This practice should have an effect on the interviewees, as competitor prices was the highest ranked factor considered when prices in the stores are set.

Interviewees' expressed how foreign-owned retailers colluded on prices to push competitors out of the market. He explained that they occupy houses and stores around locally owned stores and then, together they set prices to steer customers away from the more expensive locally owned stores. He expressed how this system works as poverty in townships is a problem, which results in people spending their incomes where they can get the most value. This account supports La Pota and Sheifer's (2014) suggestion that the existence of the informal sector is because of poverty.

Another similarity based on the location being in Soweto was the wholesalers that the retailers shopped at with all interviewees expressing that they conducted supply chain tasks more than once a week using a similar method of transport which limited their ability to stock the quantities necessary to save costs in the procurement process. Having observed the above similarities, the themes that come to the fore are discussed further in the following section.

In answering Question 1 three major themes came to the forefront and these were the theme of trust in supply chain management and the potential of supply chain collaboration given the similarities and duplication of tasks undertaken by the interviewees. The findings of these themes will be discussed in the discussion of questions to follow.

## Supply chain collaboration

Combined planning forecasting and replenishment (CPFR) and continuous replenishment are suggested by Ramanathan as concepts that assist in the improvement of a firm's performance. While the interviewees are currently involved in continuous replenishment, which is evident in their frequent trips to wholesalers, through the similarities highlighted in Question 1 (a similar customer base, similar product catalogues, shared suppliers, similar modes of transport and sourcing similarly more than once a week), CPFR would be advantageous to consider for informal sector retailers. The use of CPFR is explored through the topic of supply chain collaboration and the views expressed by interviewees in Question 2.

### 6.3. Discussion of results for research Question 2

In answering question two, the data was based on gaining an understanding on what informal sector retailers understand about the concept and where they have either seen it applied or heard of it. These responses are pictured in table 6-4 where the top ranked response on the perceptions of supply chain was unanimous in that it is a good concept. With most of the respondents indicating that they are aware on people who have practiced and had insights to share

**Table 6-4: Comparison between top three results for interview Question 12, 13, 14**

<b>Research Question 2: what do people characterise and understand what is going on?</b>			
<b>Rank</b>	<b>Interview question 12 shown in table 5-12</b> <b>When I say supply chain collaboration what does it mean to you?</b>	<b>Interview question 13 shown in table 5-13</b> <b>Have you heard of store owners doing this?</b>	<b>Interview question 14 shown in table 5-14</b> <b>How do they work?</b>
1	It is a good thing	Yes	Weekly meetings
2		No	Members leveraging off supplier relationships to negotiate deals
3			One supplier truck delivering at one store

What are the perceptions of supply chain retailers on the topic of supply chain collaboration?

Post understanding how the interviewees interacted with the supply chain and observing that none of the interviewees were currently involved in a collaboration; Question 2 explored the level of awareness on the topic of supply chain collaboration.

Represented by Table 6-4, the process which the groups embark on when collectively planning supply chain interactions is described. Ranked 1<sup>st</sup> is that the collaborative groups held weekly meetings. Ranked 2<sup>nd</sup> is that in these meetings the relationships of members with particular suppliers and manufacturers are discussed and deals that have been negotiated are then presented to the group with a frequency of five. Collectively ranked 3<sup>rd</sup> is that information on specials and best practices are shared in the forum.

#### **6.3.4. Conclusive findings for research Question 2**

The result showed that the level of awareness of supply chain collaboration was above with a little most of the interviewees expressing their awareness of the concept. Although being aware of the concept and expressing views of it being a “good thing”, none of the interviewees were involved in a collaborative group.

##### **6.3.4.1. Supply chain management**

Chang et al. (2014) suggest that supply chain management is a network of different firms that facilitate the process of taking goods from primary goods through the manufacturing, storing, marketing and final selling of consumer goods to the consumer. This process comprises of two steps which is firstly the formation of the network where partners are decided and secondly the management of the relationships in the network to ensure advantages are experienced by all parties.

Having observed the results of Question 1 and compared them to the results in question two, it is evident that the practices of these groups in pooling resources are applying the concept of supply chain collaboration to pool resources as per the RBV in order to gain

a competitive advantage by sharing their capabilities (Gunasekaran & Ramanathan, 2014) (Wang and Sengupta, 2016).

From the accounts on how the collaborative groups worked, collaborative planning was the highest ranked response from interviewees. Combined forecasting was also done as expressed by Interviewee 9 in order to ensure that stores had a consistent flow of replenishment. These activities were in the efforts to gain supply chain advantage which is defined by Nollet et al. (2016) as the formation of purchasing groups where members collaborate to benefit from lower prices as a result of the buying power in the group. This advantage was however not always extended to all and this is observed as a discussion into the advantages and disadvantages of supply chain collaboration which follows next.

Overall perceptions on supply chain collaboration were found to be positive. It was however evident through the need to explain the concept in detail that knowledge on the concept was not common to the group interviewed. Responses from interviewees fell into three categories. Those who were not aware of the concept at all, those who had heard of foreign owned businesses practicing it and those who had had first-hand interactions with such groups including having started such collaborative groups.

The perceptions from those who had heard of foreign business owners practicing it supported by Liedman, Charman, Piper and Petersen (2013) who in their study highlighted the use of social networks as a competitive advantage in the case of Somali shop owners. These social networks are clan-based and provide cheap labour from Somalia, the enforcement of contractual agreements that govern the network with clan elders coordinating business deals, strategic investment in geographical areas such as Soweto, group purchasing in order to benefit from bulk discounts and operational economies of scale and the facilitation of micro-finance to network partners (Liedeman, Charman, Piper, & Petersen, 2013).

Liedman, et al. (2013) contrast informal sector retailers who are South African as operating in weaker social networks that are usually sustained by immediate family members. This is in line with the findings as the interviewees who expressed having been involved in collaborative supply chain efforts highlighted that they were in collaboration with either family members, or buying groups that included all informal sector retailers.

#### **6.4. Discussion of results for research Question 3**

Is there a willingness to try supply chain collaboration? Table 6-5 shows that there is indeed a willingness to collaborate in the future having observed the top ranked advantages of cheaper prices, money purchasing more stock and the benefits of information ranked 1<sup>st</sup> to 3<sup>rd</sup> respectively. Although aware of the disadvantages, such as that of not all stores selling the stock at the same time which is ranked 1<sup>st</sup> and the risks of financial burdens as ranked 2<sup>nd</sup> and ranked last is the risk of collaborating with different sized stores with different capabilities. The research findings support Ramanathan's (2014) view that effective supply chain collaboration assists in cost saving which can thus lead to a competitive advantage. The savings gained from taking advantage of discounts negotiated by the group assist stores to look fuller as the money went further to purchase more.

**Table 6-5: Comparison between top three results for interview Question 17, 18, 19**

<b>Research Question 3: what assumptions do they make?</b>			
<b>Rank</b>	<b>Interview question 17 shown in table 5-17</b>	<b>Interview question 18 Shown in table 5-18</b>	<b>Interview question 19 shown in table 5-19</b>
	<b>What are the advantages?</b>	<b>What are the disadvantages?</b>	<b>Have you ever tried joining a group</b>
1	Cheaper prices / Discounts	Not all stores sell the stock at the same time	Interest in future involvement
2	Money purchases more stock	Financial burden on paying partners	Interest in re-joining
3	Information transfer	Different sized stores are unable to collaborate	No interest at all

This research question assessed the willingness to partake on collaborative supply chain management in the hope of achieving said benefits. The question also explored what the experiences of those who have or are still part of such collaborative networks viewed as the advantages and disadvantages of supply chain collaboration.

#### **6.4.1. What in your view are the advantages of doing this?**

Conner (2017) highlights the benefits of information sharing in the facilitation of collaborative arrangement networks that are focussed at attaining public value. Public

value is the creative use of all stakeholder's strengths in finding solutions to the weakness of stakeholders.

Collectively rated at third with a frequency of three each was the savings gained from sharing transport and the better payment terms. Ranked together at fourth is the overall improved look of stores and the amount of time saved by the retailers. These findings are supported by Cao and Zhang (2010) who suggest that the benefits from collaboration to firms include access to a wider range of resources while Nollet et al. (2016) express the benefits of combined effort through a central sourcing group which assists in saving group members' time as the groundwork is done centrally. However, as the results in Chapter 5 show, advantages were not equally experienced by all collaborating members. Another as supported by results was the advantage of suppliers delivering stock to stores saves retailers for time they spend out of the store. Cao and Zhang (2010) suggest that increased productivity and risk sharing are part of the benefits in supply chain collaboration.

#### **6.4.2. What are the disadvantages of doing this?**

Ramanathan (2014) suggests that the disadvantages or barriers of supply chain collaborations stem from either organisational or operational barriers. Organisational barriers include organisations' inability to plan while operational barriers are seen in results represented by the highest ranked disadvantage experienced by members of supply chain collaboration groups. The 1<sup>st</sup> ranked disadvantage with a frequency of five was that not all stores are the same size and therefore there are different rates of stock turnover.

The 2<sup>nd</sup> rated disadvantage at a frequency of four was the financial burden placed on other members when there is a defaulting member which, with the same ranking and frequency, is aggravated by the participation of different sized stores. Delgado-Ceballos et al. (2012) express in their study on stakeholders in environmental studies, that financial resources were the main barrier for collaboration. This too is evident in informal sector retail collaborations as the results ranked financial strain of other members a burden to others.

Ranked 3<sup>rd</sup> is that there are no real rules in place to govern the relationship and therefore holding members accountable is difficult. This disadvantage had a frequency of three. Ranked 4<sup>th</sup> with a frequency of two were members who over order and do not sell the

stock fast enough to honour payments. Lastly ranked is the disadvantage of working with different personalities that inhibit the continuation of the collaboration.

### 6.4.3. Conclusive findings for research Question 3

Is there a willingness to try supply chain collaboration?

This research question desired to assess the willingness to partake on collaborative supply chain management in the hopes of achieving said benefits. The question explored what the experiences of those who have or are still part of such collaborative networks view as the benefits. Having previously experienced the benefits of supply chain collaboration, interviewees as shown in table 6-5 were willing to collaborate again given an opportunity. Interviewees however highlighted the need to solve the aspects that did not work to ensure the sustainability of the initiatives.

### 6.5. Discussion of results for research Question 4

Table 6-4 depicts the inhibitors of supply chain collaboration after looking at the aspects of the supply chain initiatives that worked and those that did not work. Ranked as the highest reason for the inhibitors of supply chain collaboration was the issue of trust **Table 6-6: Comparison between top three results for interview Question 20, 21, 22**

<b>Research Question 4: what do people characterise and understand what is going on?</b>			
<b>Rank</b>	<b>Interview question 20 What aspects worked?</b>	<b>Interview question 21 What aspect did not work</b>	<b>Interview question 22 Why are you or are you not still a member of the group?</b>
1	It brought the family together (built relationships)	The allowance external members want to exploit the buying power for their own gain	Loss / lack of trust
2	The constant meetings meant that there was a constant flow of timeous information	Over confidence in one's ability to negotiate deals on their own	Jealousy
3	Stores were able to take advantage of prices	The partnering of firms that were too different in sizes	Loss / lack of stores

## Trust

The heterogeneous nature of stakeholders' interests as observed by Bundy et al. (2013) is evident in the above findings. Interviewees who represent the retailers in the informal sector have an interest in sourcing quality goods at the best price possible in order to allow them to compete with other retailers. The wholesalers that the retailers purchase from are interested in moving large volumes of stock on a cash only basis to avoid the chances of defaulting clients. Lastly, the customer who shops in informal sector retail firms as a result of being driven by poverty, shop where they can get the best value for their money.

Capaldo and Giannoccaro (2015) state that several industries have acknowledged the positive effects of trust on a firm's performance, therefore understanding the concept is paramount if firms are to fully leverage off its potential benefits in supply chains. Currently the differing interests of the stakeholders as analysed above have resulted in the breakdown of trust; firstly, between the wholesalers and retailers as a result of some informal retailers defaulting on payments and secondly there is a breakdown in trust between the informal retailers and the customers as a result of customers opting to support foreign-owned shops when they have funds and exploit local-owned stores when they do not.

This behaviour continues to cripple locally owned retail stores as some of the interviewees expressed the lack of trust between consumers; one currently rents out his store to a foreign national and the other two stores looked understocked and near closure.

### **6.5.1. In your view, which aspect worked and which didn't?**

Table 5-20 is a collection of aspects which former collaboration members' views on aspects of the supply chain collaboration that worked and that did not. There were seven positive aspects versus three negative aspects on why the collaborations did not work.

The aspects that worked were that it helped build relationships which created a platform where trust could thrive. The regular meetings allowed for a continuous timely flow of information which allowed members to take advantage of the favourable prices that were given to groups. Increased bargaining power allowed groups to negotiate prices with manufacturers rather than with only wholesalers, thus assisting members in purchasing more stock.

The goods were delivered by the suppliers, thus saving members time and allowing them to spend more time managing their stores rather than spending time performing supply chain tasks two to three times a week. Collaborating with stores which had similar products assisted in the ability to negotiate bulk discounts.

The aspects that did not work were that some organisations were infiltrated by external members who sought to benefit selfishly from the purchasing power of the group. This insight and information gained in the meeting was at times used by individual members to selfishly gain by negotiating side deals of their own.

#### **6.5.2. Are you still involved in the group, why or why not?**

Interviewees were requested to state if they were still involved in these groups in order to request that they suggest aspects of the collaboration that they deemed to have worked and those that didn't. The answers for this question were deemed as the inhibitors of supply chain collaboration as none of the interviewees were at the time of the study actively involved in a supply chain collaboration group. The inhibitors of supply chain collaboration were summarised in Table 5-22.

Ranked 1<sup>st</sup> as the main inhibitors of supply chain collaboration were themes of trust and jealousy both at a frequency of six. Ranked 2<sup>nd</sup> was the loss of store with a frequency of 4. One cannot collaborate if there are no like businesses to collaborate with. Equally ranked at 2<sup>nd</sup> was members need for independence which also had a frequency of four. Ranked 3<sup>rd</sup> was laziness of supply chain partners to execute tasks with a frequency of three and ranked least at 4<sup>th</sup> were the power struggles inherent in supply chain collaboration groups with a frequency of two.

Those who were involved in supply chain groups expressed the loss of trust as a major reason why the groups no longer exist. Interviewee 14 expressed how individuals who were not a part of the collaboration attempted to lead the collaboration group through external influences. These external influences led to other collaboration members negotiating deals independently which led to the loss of trust. This view was supported by Interviewee 4 who stated that once the supply chain collaboration group worked well, others saw the need to independently negotiate deals on their own.

#### **6.5.1. Conclusive findings for research Question 4**

Bundy et al. (2013) suggest that the needs of firm stakeholders are heterogeneous in nature. Although heterogeneous, Skippari et al. (2017) suggest the development and agreement of the groups' shared collaboration levels of identity, while expressing how the groups worked, none of the interviewees made any reference to set group norms or objectives, either with each other or with the suppliers they negotiated with. Strict codes in line with the normative should have been in place to assist in the governing of stakeholder behaviour sanctions placed on transgressing members (Swanson & BruniBossio, 2018). The reasons as highlighted in table 6-6 as the inhibitors of supply chain collaboration are as a result of agency theory concepts which includes stakeholders' preferences to act as individuals in serving their heterogeneous needs. This has been the main inhibitor of supply chain collaboration.

## 6.6. Other insights from interviewees

The topic of unemployment was mentioned by Interviewee 5 who mentioned that the store was started by his wife when she became unemployed. Although not a representation of the employment potential of the informal sector, this comment, however, differs from that of Tumen (2016) who suggests that the informal sector is a platform that accommodates the unskilled and fresh-from-school workers. Interviewee 5 gave a new perspective to the informal sector in that it is also a sector that offers opportunities to those who have been in the workplace but now find themselves unemployed. Either way the potential of the informal sector to create employment opportunities is evident. Government support and intervention in terms of the NDP will be an advantage as the sector does indeed host employment potential.

Although the South African government has highlighted the services sector and township economies for development, the support has not yet been experienced by informal sector retailers. Interviewee 3 told of how the government fails to enforce regulations of foreignowned retailers, yet the enforcement of laws on South African owned stores is enforced. He also told about an incident where a health inspector parked next to a foreign-owned store yet walked across the street into his store to request compliance documentation. An altercation ensued as the health inspector refused to comment on why the foreignowned store was not being regulated by the same standards.

Interviewee 3's account was supported by interviewee 9 and 11 who both expressed the unfair treatment they face from officials and the difficulty they have in obtaining licences, yet foreign nationals obtain the licences with ease or they trade without licenses but do

not get regulated. Interviewee 9 went as far as commenting on how they seemed to have the protection of the police.

Such occurrences are supported by Swanson and Bruni-Bossio (2018) who highlight that firms in the informal sector differ in levels of regulation. Baksi and Bose (2016) suggest that the inability to fully regulate the sector was as a result of informal sector firms being small, numerous and geographically spread out. Rothenberg et al. (2015) state that the unregulated nature of the informal sector benefits those who function in it. The nonheterogeneous

The alleged payment of bribes to avoid regulation is therefore an effort to remain unregulated in order to increase profits through the avoidance of taxes, administration fees and fines as a result of non-compliance (Swanson & Bruni-Bossio, 2018). The lack of control leads to the problem of not being able to measure the size of the informal sector with regards to the contribution to GDP.

## 6.7. Conclusion

Conner (2017) not only agrees with Cao and Zhang (2010) that collaboration can be inter-organisational, however, although aware of the benefits many collaborative partnerships fail to meet the expectations of stakeholders and thus lead to the failure of such collaborations (Cao & Zhang, 2010). The failure of supply chain collaboration is evident in the fact that none of the interviewees were currently involved in supply chain collaboration. The closest we example given on collaboration was rather in the sharing of transport. Chapter 7 is a review of a summary of these findings. Recommendations on the implications on stakeholders are also represented in the next chapter.

## Chapter 7: Conclusion

### 7.1. Introduction

The previous chapter presented a comprehensive discussion in the findings represented in Chapter 5. The discussion included linking the findings to the literature reviewed in Chapter 2 with arguments from interviewees used in the review of the findings. This chapter aims to consolidate the results into key findings. Based on the key findings, the implications for government and business were proposed.

This chapter also offers a critical view of the limitations of the research. These considered suggestions for future research are presented based on ways to expand on the topic of supply chain collaboration in the informal sector.

## 7.2. Principal findings

Four research questions were explored. Firstly, a look at how the informal sector retailers interact with their supply chain. Secondly what their perception on the concept were. Thirdly the viability of the concept looking at the experiences of former members and the accounts of interviewees that had some knowledge of the topic. Lastly was a look at informal sector retailers and if they would be willing to participate in collaborations and what they viewed as the inhibitors of supply chain collaboration.

### 7.2.1. Findings from Question 1

The current way in which informal sector retailers are interacting with their supply chain is in no way efficient or advantageous to them in any way. There is a duplication of tasks that is done by the informal retailers that could be shared in the process of planning, forecasting and replenishing together. These tasks include, the identifying of specials, the sharing of information, the hiring of larger vehicles in order to accommodate multiple store orders that are large enough to eliminate frequent trips to wholesalers, and pooling orders to meet manufacturer minimum order quantities which will allow them to take advantage of bulk discounts.

Competition has increased with the introduction of foreign-owned retailers in the informal sector in Soweto along with the introduction of formal large retailers, however, the inability of informal sector retailers to strategically plan together in supply chain collaboration has left them vulnerable to supply chain risks.

Supply chain risks have a negative effect on supply chains and individual firm's continuity (Li, Fan, Lee, & Cheng, 2015). The existence of some of these risks are as a result of the lack of visibility of individual informal sector retailers in their supply chain. The lack of visibility results in the individual firms succumbing to market pressures (Li, et al. 2015). These pressures are evident in that three of the respondents were no longer operating their own stores due to being unable to compete. Li et al. (2015) proposes the coordination and collaboration of supply chain members to secure the continuity of firms. The findings in question 2 as represented below, sought to identify the perceptions of informal sector retailers to the concept of supply chain collaboration.

### **7.2.2. Findings from Question 2**

Accounts from the few individuals who embarked on the supply chain collaboration journey, agree that the benefits as highlighted in literature were evident. The process, which was followed to run these collaboration groups, was annotated. The steps were those supported in literature by the concept of the resource-based view which encompasses the management of the supply chain to extract value in exerting the correct resources to benefit all stakeholders while offering combined support in problem solving and risk taking (Cao & Zhang, 2010). There was an overall consensus of supply chain collaboration being a positive concept.

### **7.2.3. Findings from Question 3**

The advantages of supply chain collaboration were supported literature that suggest that the benefits of supply chain collaboration is the ability to share information that assists in the creation of value for all stakeholders through flattened structures that allow the ease of the flow of information (Conner, 2017). The benefits of this information were in the ability of supply chain members to benefit from the savings negotiated and sourced through central research initiatives conducted by the supply chain (Cao & Zhang, 2010; Nollet et al., 2016).

One benefit however that was evident in the literature but not present in the data sourced was the benefit and use of technology in the supply chain process. Therefore disadvantages of being mismatched with a supplier who is not as technologically advanced, as per Rajaguru and Matanda (2013), was not a factor. What was however a disadvantage being firms of different sizes in the collaboration.

One of the main prerequisites when forming supply chain collaborations is finding firms which are similar in products and size. The size of stores was not measured for the purpose of this study, neither were the respondents asked to describe the type of stores that they had partnered with in the formation of the collaborative groups. There were however challenges as identified by Ramanathan (2014). The ideal number or size of firms in supply chain collaborations is not clear in any industry, formal or informal. Kull et al. (2016) express the need for synergies in partnering firms. Hahn (2015) supported this notion that stakeholders need to act socially and should be guided by reciprocal behaviour that benefits stakeholders.

Acting socially is not always viable due to the differing needs and capabilities of organisations. There are situations that stand to ruin the stakeholder relationships with suppliers which were evident in the inability of some firms to meet their financial obligations. Hahn (2015) however states that stakeholders do not always default on agreements maliciously but rather because the decisions they make are paramount to the survival of their firms. Having considered how informal sector retailers conduct supply chain activities, the perceptions of supply chain collaboration and the advantages and disadvantages of it, the findings from question four looked at this studies overarching question of the inhibitors of supply chain collaboration. The majority of interviewees shared their interest in joining collaborative groups in the future.

#### **7.2.4. Findings from Question 4**

The reasons why supply chain collaboration is not a viable concept in informal retail in Soweto are because of several factors that inhibit the existence and the continuations of collaborations. These factors include the lack of trust that exists in the supply chain. Interviewees expressed mistrust at all levels of the supply chain. Wholesalers do not extend credit to informal retailers due to others failing to uphold their payment arrangements thus all informal retailers buy on a cash and carry basis. Trust is nonexistent between the informal retailers and their customers as they too fail to fulfil payment agreements once credit has been granted. Furthermore, a lack of trust of working with fellow informal sector retailers is evident in family collaborative groups and independent supply chain collaboration groups.

Although other interviewees expressed laziness as the reason that other stores did not thrive in collaborations, the reality is that there seems to be an issue of pride that is inherent among informal sector retailers where asking for assistance might be seen as a weakness, especially with the presence of power struggles.

Power struggles are evident in collaboration networks and have led to the dissolution of supply chain collaboration groups. Overall as an observation from the researcher, the lack of knowledge on the benefits of supply chain collaboration and how to sustainably maintain it through normative views as suggested by Nollet et al. (2016) is clearly not evident with none of the interviewees having referred to any contractual trust held by clauses. All the references of trust between suppliers, retailers and the customers were observed to be based on goodwill which thus far has not been upheld. Trust was mentioned by most interviewees as the main inhibitor of supply chain collaboration.

### 7.3. Recommendations for government

As government has identified the services sector as the solution to unemployment, before embarking on initiatives to assist in the support of small to medium service enterprises in the informal sector, an understanding of the businesses in this sector is needed in order to tailor solutions that will be effective.

Having understood how informal sector retailers interact with the supply chain, this study may be used in the process to design development programmes. These programmes will encompass supply chain management and the use of supply chain collaboration in the efforts of creating sustainable enterprises that will create more jobs for new job entrants and for those who find themselves back in the job market due to retrenchments.

Government initiatives need to focus on the education and support in terms of finances and general business management skills in order to support local firms. Regulation of the informal retail sector is also paramount to ensuring that the efforts to boost the informal sector are measurable. The supposed support of regulators to foreign retailers is in turn crippling locally owned retail firms in the informal sector.

Government's focus should be more on supporting local businesses and in supporting local businesses they need to understand what the internal issues on collaboration between informal sector retailers are and see how they can reduce the evident lack of trust that exists in the supply chain in order to assist businesses in remaining sustainable while preserving much needed jobs.

### 7.4. Recommendations for Informal retail owners

Trust between informal retailers in Soweto is evident with the inability to work together to create sustainable collaborative supply chain groups on a retailer-to-retailer level. There is however an interest shown in the participation of supply collaboration as 87 % of the interviewees expressing that they view supply chain collaboration as a positive concept that improve their current supply chain management, thus making them more sustainable.

The need for sustainability is evident in the loss of businesses to foreign-owned nationals. There is awareness on the collaboration efforts that give the foreign-owned firms a competitive advantage. Further knowledge needs to be sought by informal retailers on the best practices in supply chain management that they can apply in their store.

The reality is jobs in the manufacturing sector are being shed and more people will be looking at the informal sector to provide employment. The loss of South African owned stores simply compounds the problem thus fuelling the circle of poverty that helps the informal sector firms exist.

Informal retailers need to observe what their part in the breakdown in trust relationships with stakeholders is and work on mending these relationships to create the once thriving collaborative networks that no longer exist. There are lessons to be learnt from the inhibitors of supply chain collaboration along with the disadvantages expressed. Informal retailers need to come together and using best practices build sustainable supply chain collaborations that will rival their competitors and make them less susceptible to market risks.

## 7.5. Limitations of research

There were several limitations in the results of this study.

Firstly, the study was based solely on South African retailers and therefore the perspective of foreign owned informal retailers was not solicited. The answers and the presumptions that are made regarding the group have therefore not been verified.

Although none of the interviewees were still actively involved in supply chain collaboration a larger sample size may have yielded interviewees who were perhaps still involved in supply chain collaboration groups.

Having used the snow ball technique, interviewees were mainly familiar with each other and therefore may have limited the variety of responses that could have been obtained if the method were random.

The limitation of researcher bias was present based on the familiarity of the researcher to interviewees and the exploratory nature of the interviews. In order to avoid this, the results were circulated to respondents to verify the interpretations presented.

## 7.6. Suggestions for further research

To the knowledge of the researcher there remains little empirical research on Supply Chain Collaboration which focuses on the theory in the context of informal sector firms which have little to no regulation. It is with this assumption that the following research areas are suggested:

It would be valuable to explore the inhibitors of supply chain collaboration incorporating in-depth interviews for all stakeholders such as wholesalers, manufacturers, the retailers and the customer.

This study would assist in gaining more insight on what factors need to be addressed for each party to consider the possibility of supply chain collaboration.

Further research looking into the operations of existing buying groups would be advantageous to the formation of future groups as an understanding of a model that works can be replicated in the informal sector to benefit informal sector firms.

A more in-depth investigation on the financial benefits of supply chain collaboration would be advantageous. The investigation could include an experiment where a group of firms is introduced to supply chain collaboration and financial performance is measured over a period of time. Financials would then be compared between the period before supply chain collaboration and after.

It would be valuable to assess the going concern and employment potential firms involved in supply chain collaboration. This would be a longitudinal set over a few years to monitor the growth of firms post supply chain collaboration.

Further research on the phenomenon of trust and its role in creating sustainable networks in informal sector supply chain collaboration would be an asset as all stake holders need to be aware of how their behaviour affects the going concern of another members' firm.

It would be valuable to repeat the study however focusing on the group of foreign owned stores to see what the outcome of their responses would be in comparison to that of this study.

## 7.5. Conclusion

The purpose of this study was to investigate the inhibitors of supply chain collaboration between retailers operating in the informal sector. The study explored the preservation of informal sector enterprises through the benefits highlighted in supply chain collaboration literature. The preservation of these firms was observed as paramount due to current contribution to employment in the South African economy. Furthermore, the National Development Plan (NDP) identified the services sector which includes retail both formal and informal as the next best option to absorb the labour force due to South Africa's dwindling manufacturing sector. The services sector observed in this study as a subset of informal services sector which is retailers is far from efficient enough to carry the burden of offering jobs as highlighted in the NDP. Those active in the industry are themselves finding difficulty in remaining sustainable. Government intervention is needed urgently to support this industry.

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## 9. Appendices

### 9.1. Invitation to interview and consent form

Date: \_\_\_\_\_

Dear: \_\_\_\_\_

You are invited to participate in an academic research study conducted by Motsabi Ndebele; contact number 072 740 9409, a master's student at the Gordon Institute of Business Science, University of Pretoria.

The purpose of the study is to explore the inhibitors of supply chain collaboration in informal retail in Soweto.

Please note the following:

- This part of the study involves an interview. Your name will not appear in any quotes used from the interview and the answers you give will be treated as strictly confidential. Any results will be of such a nature that it will not be possible to identify you in person.
- Your participation on this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Questions will be used to guide the interview, and you are urged to answer the questions of the interview as completely and honestly as possible. You may also volunteer additional information as you see applicable. The interview is planned to take 60 minutes.
- The results of the study will be used for academic purposes as well as for lay articles and conference proceedings; however identities of individuals will be kept confidential. The results of the study may also be published in an academic journal. We will provide you will a summary of the findings on request.
- Please contact my supervisor (Jacqui Carnelley; [jaccarn@iafrica.com](mailto:jaccarn@iafrica.com); 072 240 9840), if you have any questions or comments regarding the study.

Please sign the form to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis

\_\_\_\_\_  
 \_\_\_\_\_  
**Respondent's signature**

\_\_\_\_\_  
 \_\_\_\_\_  
**Date**

### Introduction

I am a Master's of Business Administration student at the Gordon Institute of Business Sciences. I am interested in knowing more about Spaza shop owners like yourself. I would like to discuss your supply chain operations. Please note that responses will be confidential as no names will be used when reported. Once the study is completed the results will be made available to you.

### Questions

#### **General questions**

1. What kinds of products do you sell here?
2. Why do you sell these products?
3. Who decides which products are sold here?
4. Please describe the process you go through to stock these products?
5. Who do you buy them from?
6. How often do you buy them?
7. How do you get the stock to your store?
8. What are some of the challenges you have experienced with your supplier (time, price, reliability, safety, out of stocks)
9. How do you pay for your stock?
10. How would you like to pay for your stock?
11. How do you decide on the prices you charge?

#### **Supply chain collaboration: Are the benefits and risks of supply chain collaboration understood by independent informal retailers?**

12. If I were to say supply chain collaboration what does it mean to you?

Some people refer to it as (look for a definition in text)

13. At times store owners like yourself have indicated that they get together with other store owners to purchase stock. As in they purchase in groups. Have you heard of store owners doing this?
14. If yes, what have you heard?
15. From what you have heard how do these groups work?
16. What are your views of these groups?
17. What in your view are the advantages of doing this?
18. What are the disadvantages of doing this?
19. Have you ever tried or considered joining such groups?

**If the respondent indicates that they have indeed tried...**

20. Please describe how it worked?
21. In your view which aspect worked and which didn't?
22. Are you still involved in the group, why or why not?

**THANK YOU**

9.3. Ethical Clearance Letter

23 July 2018

Ndebele Motsabi

Dear Motsabi

*Please be advised that your application for Ethical Clearance has been approved.*

*You are therefore allowed to continue collecting your data.*

*Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained*

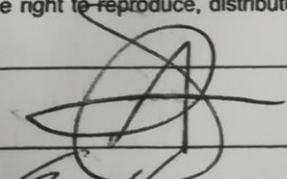
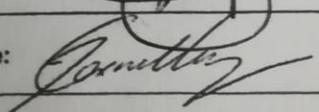
*We wish you everything of the best for the rest of the project.*

*Kind Regards*

GIBS MBA Research Ethical Clearance Committee

## 9.4 Copyright declaration

**COPYRIGHT DECLARATION**

Student details			
Surname:	Ndebele	Initials:	M
Student number:	17393532		
Email:	17393532@mybibs.co.za		
Phone:	0727409409		
Qualification details			
Degree:	MBA	Year completed:	2019
Title of research	The inhibitors of supply chain collaboration in the informal sector retail in Soweto		
Supervisor:	Jacqui Carnelley		
Supervisor email:	Jaccarn@iafrica.com		
Access			
Please select			
<b>A.</b>			
<input checked="" type="checkbox"/>	My research is not confidential and may be made available in the GIBS Information Centre and on UPSpace.		
I give permission to display my email address on the UPSpace website			
<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
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<input type="checkbox"/>	My research is confidential and may NOT be made available in the GIBS Information Centre nor on UPSpace.		
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Two years	<input type="checkbox"/>	Please attach a letter of motivation to substantiate your request. Without a letter embargo will not be granted.	
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Copyright declaration			
I hereby declare that I have not used unethical research practices nor gained material dishonesty in this electronic version of my research submitted. Where appropriate, written permission statement(s) were obtained from the owner(s) of third-party copyrighted matter included in my research, allowing distribution as specified below.			
I hereby assign, transfer and make over to the University of Pretoria my rights of copyright in the submitted work to the extent that it has not already been affected in terms of the contract I entered into at registration. I understand that all rights with regard to the intellectual property of my research, vest in the University who has the right to reproduce, distribute and/or publish the work in any manner it may deem fit.			
Signature:			Date: 7/11/18
Supervisor signature:			Date: 6.11.18

2018 ver.