Cape Peninsula
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THE ATTRITION OF LOCALLY-OWNED SPAZAS IN A SELECTED SOUTH AFRICAN TOWNSHIP

by

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Dissertation submitted in partial fulfilment of the requirements for the degree

Master of Technology: Business Administration

in the Faculty of Business and Management Sciences

at the Cape Peninsula University of Technology

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District Six, Cape Town
Date submitted (July 2024)

DECLARATION

I, Mohammed Sharif Loghdey, declare that the contents of this thesis represents my own unaided work, and that the thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

Signed: **Date:**

ABSTRACT

Spaza shops are a prominent feature in South African townships. Their name dates back to the apartheid years and references their stealthy operation because of government legislation that made township trading by Black people illegal. The spaza shop served as a vital lifeline for the formally unemployed, a vehicle for the necessity entrepreneur and a stepping stone to the formal business world for the multitudes of disenfranchised citizens who were deprived of opportunities, advancement and self-improvement. In recent years, fierce competition between South African and foreign-owned spaza shops has boiled over into xenophobic violence directed against foreign spaza shop owners. Studies have shown that in certain townships foreign-owned spaza shops have become numerically dominant. The reasons for this are varied: foremost among them appears to be price competition, although the reason for the inability of South African spaza owners to compete successfully on price has still not been clearly articulated in the literature. This study sought to determine some of the relevant factors by conducting a survey and comparing the demographic features of the operators to determine if demography affected the ability to compete and hence affected sustainability. The surveys were conducted in a representative apartheid-era township of the Western Cape called Delft. A count survey was also conducted in a middle-class suburb with formal grocery shops classified as SMMEs with a decades-long history of generational small business and property ownership, to compare the levels of foreign domination. The results showed close similarities in levels of education and lack of prior business experience in the two groups of owners, a strong indicator of business success or failure. However, the majority of foreign operators were significantly younger and had fewer or no dependants to support. This factor enabled them to sustain price competitiveness for longer periods of time. The resultant profit margin decrease was untenable for local operators with higher personal expenses, who either closed down their businesses or let out the properties to foreign spaza operators. The count survey in the middle-class suburb revealed similar dominance by foreign operators. The results prove that demographics can be a decisive factor in the price competitiveness of new market entrants regardless of the experience, business acumen, financial strength and educational accomplishment of established operators.

ACKNOWLEDGEMENTS

I wish to thank:

- My wife and children for their unwavering, unconditional love, encouragement and support
- My sister for her encouragement and assistance when the chips were down
- My mother for instilling in me the love of life-long learning
- My father, the incredible marketer and retail champion, for inspiring me to pursue the art and science of business management and entrepreneurial strategy
- All the wholesale and spaza respondents who made this possible
- My supervisor, Dr Sam Enow for his patience
- Prof. Michael Twum-Darko for his knowledgeable insight and guidance in the art of research
- The staff at the Post-Graduate Business School Office at CPUT

DEDICATION

To the dozens of spaza owners, whose livelihoods depend on sacrifice and an entrepreneurial spirit, on their journey to self-sufficiency and job creation

ABBREVIATIONS

CBD – Central business district

FMCG – Fast-moving consumer goods

GDP – Gross domestic product. It is the total value of all final goods and services produced within a country's borders over a specific time period, usually taken as a year

GEM – Global Entrepreneurship Monitor

SA – South Africa(n)

SLF – Sustainable Livelihoods Foundation

SMME – Small, micro, and medium businesses (SMME, SME, small business, and small enterprise are all synonyms for the same thing)

GLOSSARY

Competitive Advantage	A condition or circumstance that puts a company in a favourable or superior business position (compared to its rivals)
Coopetive	Simultaneous cooperation and competition among rival business owners
Entrepreneurship	The process of starting a business and taking financial risks in order to make a profit
Informal economy	Use will be made of the DTI (The Department of Trade and Industry, South Africa) definition, viz., that the informal sector is comprised almost exclusively of SMMEs.
Locally owned	Owned by non-immigrant South Africans regardless of race. Used interchangeably with the phrase “indigenous owned”
Spaza	Tuck-shops – micro-convenience/grocery stores – which are commonly placed within the owner’s home and operate in the informal realm
Survival entities	Survival entities or enterprises have constrained development potential and are less likely to hire new staff (DTI, 2008; and as reflected in the SMME research note, 2016:5, a report commissioned by SEDA [the Small Enterprise Development Agency])
Township	(in South Africa) a mostly black-populated neighbourhood or city that was formerly allocated for black occupation under apartheid laws (*Oxford Dictionary Online*)

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Chapter 1: Introduction and Background to the Study

1.1 Introduction

This chapter introduces the primary motivation for the thesis by highlighting aspects of the informal sector in South Africa: the rise of informal trading in the form of spaza shops in South African townships, their contribution to job creation in the context of high unemployment rates, and their consequent contribution to the national GDP. Another prominent theme is the attrition of locally or indigenously-owned spaza shops in favour of foreign-owned spaza ventures, and the tensions arising from this competition.

1.2 Overview

South Africa had an unemployment rate of 34.4% as at the second quarter of 2021 (Statistics South Africa, 2021) and a youth unemployment (narrow) rate of 50% (Statistics South Africa, 2018). Globally, self-employment is viewed as a major driver of employment, and this is especially the case in South Africa's poverty-stricken townships. Le Fleur et al. (2014) describe the informal sector as the only source of income and survival for the many who are engaged in it. Hart (cited in Peterson, 2011:2) states that the informal sector is "a conventional urban economy with low productivity" that falls within the scope of primary, secondary, or tertiary economic activity. Ligthelm (2005) notes that the South African informal sector contributed an estimated R32 billion in sales in 2002. By 2019, the informal food (grocery) sector was generating about R360 billion in sales annually, accounting for up to 50% of food sector sales and employing more people than formal businesses in the same sector (Wegerif, 2020). While current data is not available, in 2018 the informal sector's contribution to the economy was estimated as between 7% and 13% (South African Market Insights, 2018). More recently, Etim & Daramola (2020) suggest that informal employment and the informal sector together contribute about 20% to the National GDP. The Sustainable Livelihoods Foundation (SLF) (2015), observes that "informal micro enterprises are firmly established in the township and inner-city environs". Townships can be described as "the most potent political, social and economic spaces in the country today", despite suffering "due to past policies ... limiting structural disadvantages" (Scheba & Turok, 2020). However, Petersen (2017) claims that in recent years the informal sector in the townships has been subjected to many strains and forces – including national chain supermarkets opening inside townships – that have caused an erosion of locally-owned township businesses.

Spaza shops are grocery retailers that operate within South Africa's townships, typically from a residential house or stand, and constitute a subsector of informal retailing (Ligthelm, 2005). Van Scheers (2010) notes that "Spaza is a Zulu word meaning 'hidden' or 'camouflaged' ". Because of strict legislation, spaza shops were obliged to trade in secret. In January 1989, they were legalised, but "on condition that they obtained a trading license" (Van Scheers, 2010).

Piper and Charman (2016) explain that local spaza owners were resentful of the price discounting practised by their foreign counterparts. This eventually forced the majority of locally-owned spaza shops to close down. The resultant dominance of foreign-owned spaza shops created the context within which violence against foreign shopkeepers took place.

1.3 Problem Statement

Against the backdrop of South Africa's already high and rising unemployment rate (Statistics South Africa, 2021), informal sector employment functions as a kind of safety net for unemployed workers (Fourie & Kerr, 2017). Informal micro-enterprises also known as spazas are prominent among these informal sector employment generators (Fourie, 2018a).

As suggested above, there is a high rate of failure among indigenous-owned township informal, micro- and small enterprises, with a concomitant success of foreign-owned enterprises (Lamb et al., 2019). This is due to the nature of foreign or immigrant-based economic activity and practices (Charman et al., 2012:68; SLF, 2012:2; Charman & Piper, 2012). Thus Charman et al. (2012:1-4) could note more than a decade ago that "in the sites of Delft South and Vrygrond, foreign shopkeepers now dominate numerically". Both Charman et al. (2012), and Tengeh and Mukwarame (2017) report a continuing history of price competitiveness in the spaza market that has seen the development of foreign-run businesses and the corresponding collapse of South African shops. This situation has been brought about a various factors, including price discounting, scale and business approach (Tengeh & Mukwarame, 2017), as well as the coopetive behaviour characteristic of foreign shopkeepers (Hare, 2017).

There has been no research thus far that pinpoints exactly why locals are unable to compete, resulting in incomplete guides for devising effective interventionary measures (Hartnack & Liederman, 2017). This means that the problems associated with this phenomenon will likely persist or worsen.

This study aims to establish which factor(s) has the greatest effect in making local spaza operators less competitive thereby causing their failure, with a view to improving the competitiveness, longevity and success of local spaza operators. The study focuses on the case of the Delft township in the Cape peninsula.

1.4 Rationale and Significance of the Study

Informal small and micro-enterprises are the backbone of township economies and a major mitigating factor in unemployment relief (Cichello & Rogan, 2017). In recent years, however, xenophobic violence directed at foreign entrepreneurs in townships appears to have stemmed from competition between local and foreign spaza owners, which is associated with perceived competitive behaviour (Piper & Charman, 2016). Since about 2005, there has been a growing class of entrepreneur-retailer emerging as a major economic player within the spaza market in South Africa. The majority of these retailers are immigrants from countries like Somalia, Egypt, Ethiopia, Rwanda, Tanzania, Pakistan and Bangladesh. Their presence produces tension with their South African counterparts (Charman et al., 2012).

A series of factors responsible for the failure and low survivability rate of local spazas has been identified by Hartnack and Liederman (2017), which include a lack of financial literacy, management and entrepreneurial skills among owners. They note that the majority of existing literature on business closure focuses solely on internal and external business factors like the owners' lack of education and business skills, unsustainable business models, limited market research and understanding, insufficient capital, and inability to cope with competition. However, citing "an inability to cope with competition" is problematic if the possible reasons why these owners are unable to cope with competition are not identified. Liederman et al. (2013) duly concede that "the precise nature of this uncompetitiveness has been poorly understood".

In these circumstances, acceptance of an incorrect narrative reflecting poorly understood reasons for local uncompetitiveness might produce or has already produced inadequate official (governmental) intervention to level the playing fields in the face of continuing xenophobic attacks.

This study hopes to uncover a more compelling reason than those previously identified by research to explain how the wielding of price dominance by foreign spaza owners leads to the attrition of locally-owned spazas. The aim is to develop a more realistic understanding of the problem that help create a better approach to resolving the issue.

1.5 Aims and Objectives

1.5.1 Aim

Given the problem identified above, the aim of the study is to explore the factors that affect local competitiveness which gives rise to the dominance of foreign-owned informal, micro- and small enterprises and the resultant attrition of locally owned spazas in the Delft township, Western Cape.

1.5.2 Objectives

- To investigate the factors contributing to the attrition of locally-owned spaza businesses in the Delft township
- To determine if the strategies deployed to obtain dominance are universal among all foreign trader nationalities

1.5.3 Research Questions

1.5.3.1 Primary Research Question

What are the unassailable competitive advantages enjoyed by foreign spaza owners allowing price competition resulting in the attrition of local ownership?

1.5.3.2 Secondary Research Question

Are age demographics the only factor amongst foreign spaza traders that serves to achieve this competitive advantage?

1.6 Conceptual and Theoretical Framework

1.6.1 Theories and Frameworks

1.6.1.1 Conceptual and Theoretical Frameworks Defined

“A theoretical framework comprises the theories expressed by experts in the field into which you plan to research, which you draw upon to provide a theoretical coat hanger for your data analysis and interpretation of results. Put differently, the theoretical framework is a structure that summarises concepts and theories, which you develop from previously tested and published knowledge which you synthesise to help you have a theoretical background, or basis for your data analysis and interpretation of the meaning contained in your research data” (Kivunja, 2018:46). Kivunja (2018:47) also explains the conceptual framework: “A conceptual framework is the total, logical orientation and associations of anything and everything that forms the underlying thinking, structures, plans and practices and implementation of your entire research project. So, the conceptual framework comprises your thoughts on the identification of the research topic, the problem to be investigated, the questions to be asked, the literature to be reviewed, the theories to be applied, the methodology you will use, the methods, procedures and instruments, the data analysis and interpretation of findings, recommendations and conclusions you will make". Kivunja (2018:47) continues by summarising the conceptual framework and the difference between the theoretical and conceptual frameworks in the following terms: "The conceptual framework is thus the umbrella term relating to all the concepts and ideas that occupy your mind as you contemplate, plan, implement and conclude your research project. Thus, whereas the conceptual framework could be the product of your own thinking about your research study, the theoretical framework comprises other people's theoretical perspectives that you interpret as relevant to your research, and in particular, helpful in your data analysis and interpretation" (Kivunja, 2018:47).

1.6.2 Theoretical Framework

The theoretical framework for this study is woven from two theoretical threads. The first explains informality, since the study is grounded in survivalist entrepreneurship, and the second explains enterprise success (or failure) factors.

Statistics South Africa defines the informal sector (as cited in Kay, 2011:1), as "economic activity outside the purview of state regulation". Kay (2011) mentions three theoretical perspectives on the informal economy: (i) the structural articulation theory; (ii) the alternative (or neo-liberal) theory that sees the informal sector as a complement to the formal sector; and (iii) the dualistic labour market approach, which sees the informal sector as a safety net for unemployed workers. Kay (2011) opts for the "structural articulation theory, with its focus on heterogenous, dynamic and static sub-sectors". Kay (2011) suggests that "a national poverty line can be used to identify the dynamic and static sub-groupings within South Africa's informal sector", so as to "better target policy interventions for the informal sector" (ii). Kay (2011) concludes that the most appropriate policies are those that alleviate poverty or provide insurance during extended periods of unemployment. It is this conceptual approach that this thesis has adopted.

There are a multitude of theories that purport to explain the success or failure of enterprises. Sajilan et al. (2016) cite the following success and failure factors:

- Background of the founder (Kaur & Sandhu, 2013)
- The entrepreneur's demographic and behavioural traits (Mitchelmore & Rowley, 2010)
- Internal and external factors (Garney et al., 2006; Rogoff et al., 2004).
- Educational level of the owners (Sharma & Upneja, 2005)
- Previous business experience (Sharma & Upneja, 2005)

- Work experience, family background
- Informal sources of finance and bank-financed start-up capital (Basu & Goswami, 1999)

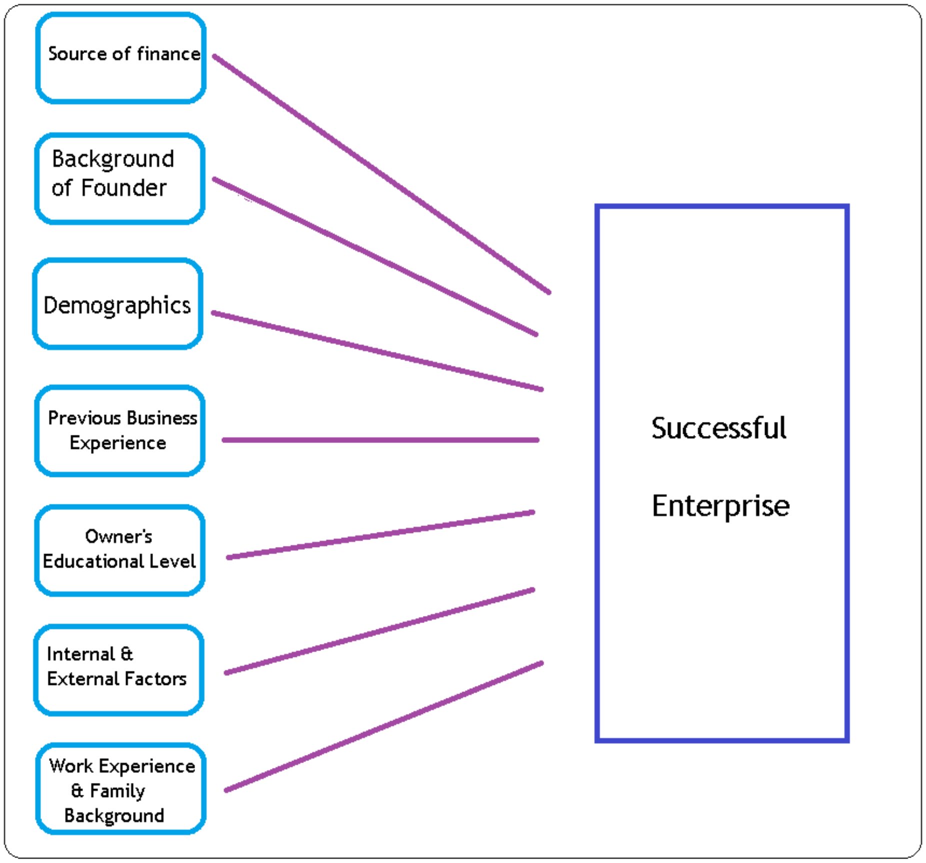


Fig:1.0 Theoretical Framework

Of these factors, this paper will focus on the under-researched topic of demographic factors as a possible critical success factor or cause of failure.

1.6.3 Conceptual Framework

The conceptual framework supporting this thesis hinges on two theories. The first is Disadvantage theory (with respect to Entrepreneurship, what pushes people into self-employment), and the second is Maslow's hierarchy of needs and needs-satisfaction (as the primary driver for self-employment in the absence of formal employment). Morris et al. (2020) quote Light (1979): "Disadvantage posits that experiences of economic exclusion, labour market disadvantage, and discrimination (e.g., racial, religious, ethnic, or based on gender, age, or a disability) provide a motivation for and a barrier to entrepreneurial action". In other words, disadvantage plays a dual role when it comes to entrepreneurship as it is a push factor but also a barrier. Morris et al. (2020) then quote Boyd (2000), who sums up the situation thus: "When an oppressed group lacks resources, resource disadvantage keeps them from launching businesses or pushes them into the informal sector".

1.7 Limitations of the Research

A study's limits, according to Price and Murnan (2004), stem from those aspects of the design or technique that influence how the research's findings are evaluated. They are limitations on the generalisability, application, and/or usability of findings that are the consequence of how the study was initially constructed, the methods used to establish internal and external validity, or the effect of unexpected obstacles that arose during the investigation. The research limitations in this thesis are the sample sizes of landlords and South African ex-spaza owners employed. This was because of the difficulty of gaining access to them. Trust was also a problematic issue, especially among foreign spaza owners, who tend to be wary and suspicious because of prior anti-foreigner tensions and hostility. Finally, although all surveys were conducted in English and all foreign respondents were able to respond in English, it must be noted that most of the foreign respondents' first language was not English.

1.8 Summary

This chapter introduces the history of spaza shops in South Africa and offers some insight into township economic activity. It explains the concept of informality as it relates to trading and defines micro-enterprises and spazas, indicating their importance and the centrality of the informal sector generally in South African townships. The chapter also outlines the theoretical underpinnings of the drivers of entrepreneurship and associated success and failure factors. The following chapter presents the literature powering the main themes of the thesis.

Chapter 2: Literature Review

2.1 Introduction

The preceding chapter described the study's objective, problem statement, research questions and significance. In this chapter, relevant literature is explored to delineate the historical context of informality in South African townships. Various theories of entrepreneurship are then discussed, with a focus on the factors that contribute to entrepreneurial success and failure. The central discourse of this thesis concerns the failure of locally-owned informal entrepreneurship, with specific reference to spaza shops in South African townships using Delft on the Cape Flats as a representative example.

The informal sector in South Africa mirrors that of other developing economies in that it is extremely vibrant and diverse. However, as explained by the World Bank (2014), unlike most countries with the binary of urban rural landscapes, South Africa also contains townships and informal settlements (T&IS) that are large, underdeveloped communities, spatially disconnected from economic centres and rife with unemployment. To obtain a thorough understanding of this landscape, the present review will examine the concept of a South African township and the economic activity within it, as well as discuss the state of South African employment pre- and post-apartheid, the phenomenon of informal entrepreneurship as a means of poverty alleviation and job creation, and theories of informality, competition, SME failure and foreign/migrant spaza ownership.

2.2 Black Entrepreneurship in Apartheid South African Townships

Apartheid-era spatial planning is central to the understanding of township economy. The Integrated Urban Development Framework (IUDF) (2020), a South African government policy initiative, describes a township as "a dense urban settlement usually built at a distance from centres of commercial and industrial activity". It was an intentional apartheid policy to create townships as dormitory towns for Black workers in mines and factories with internal economic logic and limited social services. A framework of conditions developed during the era of enforced racial segregation (apartheid) that ensured that the access of Black South Africans to the White urban and economic centres was restricted by keeping them in dormitory townships that lacked infrastructure such as tarred roads, sanitation and electricity, and where local economic development was discouraged (World Bank, 2014). The outcome of all of this is summed up succinctly in the World Bank (2014) report: “Under apartheid, entrepreneurship was discouraged (even outlawed for certain trades), and it has yet to emerge in force in the wider consciousness of T&IS residents. Predictably, then, the economic landscape of T&IS is not teeming with the life and energy of a Dharavi in the middle of Mumbai or a Kibera in Nairobi. Dharavi is reported to have 15,000 single-room factories by one count (Economist 2017), unlike anything seen in any South African township or informal settlement. One can find spanking new shopping malls in South African townships, but it is hard to find the “bustling, informal labour market of street stalls, repair shops, barbers, ad-hoc cinemas, and all manner of enterprise” discovered within minutes of entering many of the shantytowns of Africa, Asia, and Latin America”.

Delft township near Cape Town, the subject of this study, was inaugurated in 1989, towards the end of the apartheid era. It is nevertheless a typical, representative apartheid-style dormitory township sharing all the features of the older and larger townships throughout South Africa. Co (2003) elaborates on the lack of Black entrepreneurship by explaining that, aside from the more than 500 laws and regulations that impeded Black entrepreneurship, Black entrepreneurs were regarded by their own people as corrupt or collaborators with the White establishment owing to the difficulty of obtaining trading permits. They were the object of community contempt and considered a legitimate target of theft by militant youth.

2.3 South Africa: Economic Snapshot Post-1994

Mahadea and Kaseeram (2018) explain that despite South Africa having made great economic progress since the advent of democracy in 1994, recording positive economic growth rates and a per capita GDP expanding from R42849 in 1994 to R56000 in 2015, employment growth slipped behind GDP growth, resulting in rising unemployment. Indeed, Reliefweb (2022) argues that South Africa faces economic challenges, and that despite its relatively industrialised economy, it is unable to create enough jobs for local and foreign-born residents. There were furthermore great expectations of rapid change in gender and racial wage disparities (redistributive outcomes) following the collapse of apartheid and the introduction of a non-racial democracy (Wittenberg 2014). The democratic government of South Africa implemented several macro-economic development strategies and plans post-1994 to redress apartheid imbalances, such as the Reconstruction and Development Programme (RDP), the Growth, Employment and Redistribution (GEAR) strategy, the Accelerated and Shared Growth Initiative South Africa (ASGISA), the New Growth Path (NGP) and the National Development Plan (NDP). According to Ranyane (2014), the common goal of all this legislation was to create sustainable jobs in order to reduce poverty levels and reliance on the government for survival. There are also other, more minor pieces of legislation aimed at economic redress and transformation that were adopted in terms of the macro-economic policies, namely the Employment Equity Act, Act 55 of 1998 (EEA), the Broad-Based Black Economic Empowerment Act, Act 53 of 2003 (BEE/B-BBEE), and the Mineral and Petroleum Resources Development Act, Act 29 of 2008 (Mosala et al., 2017).

In alignment with the NDP goal of creating 2 million more jobs in the informal sector, Fourie (2018a) suggests that the governmental should actively seek to develop a larger, more vibrant informal sector. According to Nandonde & Kuada (2016), the South African economy has seen a significant shift in consumption centres from major cities to growing township economies. This means that townships will gradually increase their income-generating potential and hence promote the creation of more jobs.

2.4 Poverty in South Africa

Statista.com (2022) references Galal (2021) to the effect that in the year 2021, a person living with less than R890 per month (US$62.80) was considered poor, and that people with under R624 per month (approximately US$44) were living below the poverty line by South African standards. According to Macrotrends.net (2022), there has been a net reduction in poverty in South Africa for the period 1993 to 2014, from 66.9% to 56.9% of the population living on under US$5.50 per day. This puts South Africa well below other developing nations, like Brazil at 18.40% and Peru at 25.3%. By comparison, inequality ratios were stark, with a 55:1 ratio for the top 10% to bottom 10% of South Africans in comparison to Brazil (42:1), despite both countries being “similar high middle-income countries with a comparable degree of social instability” (Cilliers & Aucoin, 2016).

2.5 Poverty and Instability

Cilliers and Aucoin (2016) also note that even though there has been a strong decreasing trend in multi-dimensional poverty in South Africa since 1993, with significant new access to, or ownership of, private assets such as stoves, televisions and fridges, youth unemployment rates in South Africa remain unusually high at 52% – more than four times the rate for the rest of sub-Saharan Africa. They go on to conclude that in comparison with other middle-income countries, South African households are either wealthy or poor, meaning that there is marked inequality with the absolute number of unemployed growing. They also argue that, for various reasons, South Africa is on a path of declining stability. Unemployment, inequality and poverty are factors which impact on social stability, while South Africa’s low growth rate has caused employment in the informal sector to mushroom (Cilliers & Aucoin, 2016). It is the considered opinion of this author that owing to these factors, the importance of a vibrant, thriving informal sector cannot be overstated.

2.6 Entrepreneurship and Theories of Entrepreneurship

2.6.1 Entrepreneurship Definition

There are several approaches to defining entrepreneurship. McFarlane (2016:18) cites several of these and presents a chronological history of the concept:

Date	Author	Concept
1755	Cantillon	Introduced the concept of entrepreneurs from *entreprendre* ('ability to take charge')
1803, 1817	Say	Emphasised the ability of the entrepreneur to 'marshal' resources in order to respond to unfulfilled opportunities
1871	Menger	Noted the ability of entrepreneurs to distinguish between 'economic goods' - those with a market or exchange value - and all others
1893	Ely and Hess	Attributed to entrepreneurs the ability to take integrated action in the enterprise as a whole, combining roles in capital, labour, enterprise and entrepreneur
1911, 1928	Schumpeter	Envisioned that entrepreneurs proactively 'created' opportunity using 'innovative combinations' which often included 'creative destruction' of passive or lethargic economic markets
1921	Knight	Suggested that entrepreneurs were concerned with 'efficiency' in economic factors by continually reducing waste, increasing savings and thereby creating value, implicitly understanding the opportunity-risk-award relationship
1948, 1952, 1967	Hayek	Continued the Austrian tradition of analytical entrepreneurs giving them capabilities of discovery and action, recognising the existence of information asymmetry which they could exploit
1973, 1979, 1997, 1999	Kirzner	Attributed to entrepreneurs a sense of 'alertness' to identify opportunities and exploit them accordingly
1974	Drucker	Attributed to entrepreneurs the capacity to 'foresee' market trends and make a timely response
1975, 1984, 1985	Shapero	Attributed 'judgement' ability to entrepreneurs, to identify 'credible opportunities' depending on two critical antecedents - perceptions of 'desirability' and 'feasibility' from both personal and social viewpoints

Table 2.1: Concepts and theories of Entrepreneurship (McFarlane, 2016:18)

Asoba and Mefi (2021) asserts that entrepreneurship and the growth of small businesses can be evaluated from eight theoretical perspectives: “economic theories, psychological entrepreneurship theories, sociological entrepreneurship theories, anthropological entrepreneurship theories, opportunity-focused entrepreneurship and resource-based entrepreneurship theories”.

Mahadea and Kaseeram (2018) contend that, broadly speaking, entrepreneurship brings together labour and capital in generating income output and employment and that, according to South Africa's National Development Plan, the government expected employment growth would come mainly from small-firm entrepreneurship.

Gries and Naude (2008) reference Hart (2003: 5) in defining entrepreneurship as the "process of starting and continuing to expand new businesses", and affirming the importance of entrepreneurship for economic growth and development. Entrepreneurship plays a central role in the "structural transformation of countries from low income, primary-sector based societies into high income service- and technology-based societies" (Gries & Naude, 2008:1).

Entrepreneurship, according to Morris et al. (2002), is a process of creating value, a value-driven activity at its core (see also Radipere & Dhliwayo, 2014). Personal values, according to Rogerson (2003), appear to have significant implications in this context, and not just for the decision to pursue entrepreneurship. The way an entrepreneur handles an enterprise is critical to his or her success (Radipere & Dhliwayo, 2014). Psychological characteristics, race, and ethnicity are major predictors of entrepreneurial activity, according to African research on the subject (Nwanko, 2005; Radipere & Dhliwayo, 2014).

Gries & Naude (2008) explain the process of entrepreneurship as comprising idea generation, opportunity evaluation, planning, company formation and launch. They maintain that start-ups are important for economic growth and that the determinants that give rise to new start-ups are common across countries: on a macro level, the state of employment (i.e. unemployment), GDP and interest rates; and at the industry level, profits and barriers to entry. (A "start-up" is simply a new business venture, whether formal or informal.)

Adjei (2021) notes that the children of entrepreneurs are more likely to become entrepreneurs themselves because their parents act as role models who disseminate entrepreneurial know-how and behaviour, such as long work hours and the ability to persevere. Access to capital is a crucial consideration and constraint in embarking on a start-up (Gries & Naude, 2008). On the other hand, the primary motivation for entering into a survivalist enterprise is a lack of opportunities in the formal employment market (Iwu et al., 2018), and there are several accounts of entrepreneurial motivation that hinge on the distinction between opportunity-motivated versus need- (necessity/survivalist) motivated entrepreneurship.

2.6.1.1 Entrepreneurship, Job Creation and Poverty Reduction

According to Ligthelm (2010), proponents of private sector development agree that entrepreneurship is the key to economic growth and development, and this includes need-motivated entrepreneurship.

Survivalist firms in the South African setting comprise micro enterprises, very small enterprises, small enterprises, and medium enterprises, and generally produce an income below the poverty line (Danah, 2016). The importance of survivalist enterprises should nevertheless not be underestimated as they contribute significantly to the economic development of the country (Choto et al., 2014, in Iwu et al., 2018). Cichello and Rogan (2017) observe that informal-sector jobs are effective in reducing poverty because a job in the informal sector reduces poverty by the same amount as a position in the formal sector.

2.6.2 The Survivalist Entrepreneur

Necessity entrepreneurship motivation can be explained within the conceptual framework of Maslow's 5-stage model (or theory) of needs and needs satisfaction (O'Donnell et al., 2021). The motivation for opportunity-based entrepreneurship can also be grounded in an achievement paradigm within Maslow's theory of needs satisfaction by comparison.

Figure 2.1: Maslow's Hierarchy of Needs. Source https://www.simplypsychology.org/maslow.html

O'Donnell et al. (2021) put this into perspective: "Where secure livelihood options are scarce, self-employment might represent the only reasonable – that is to say, practicable, legal, and, to a greater or lesser degree, respectable – means by which people can make a living. Self-employment of this type is commonly referred to as necessity entrepreneurship." Morris and Kuratko (2020) even claim that "the single largest category of start-up ventures is [the] survival business" and go on to describe this as "a 'hand-to-mouth' venture in the sense that, at best, just enough revenue is generated to pay bills and cover expenses, including paying the entrepreneur."

Asoba and Mefi (2021:3) characterises survivalist entrepreneurship as "street entrepreneurs who operate informally and at such a micro level so as to lack basic infrastructure for their business as well as formal authorities from authorities." Ranyane (2014) contextualised South African survivalist entrepreneurship as being endemic to the township environment that was born of the economic marginalisation of Black South Africans during the apartheid years, which forced survivalist entrepreneurs into illegality (having to hide their trading activities and/or trading without the necessary permissions).

2.6.3 The General Survivalist Entrepreneur

Charman et al. (2012) contend that despite the absence of the term "SMME", survivalist businesses are sometimes grouped with micro-businesses because of some – but not all – of the challenges they confront, and that survivalist entrepreneurs, unlike opportunity-driven micro-enterprises, rely on their income for their families' basic survival, their earnings acting as a buffer against poverty. Because of their informality, survivalist businesses are unable to compete for resources, which creates an unfavourable situation vis-a-vis profit-driven and opportunity-driven micro-businesses (Charman et al., 2012). Furdas and Kohn (2011) note that necessity (or survivalist) entrepreneurs' businesses show lower survival rates than those of opportunity entrepreneurs.

Survivalist enterprises, according to Ranyane (2014:2), are "micro-enterprises that rely solely on their daily income without external support or safety nets", and "over and above that, they are unregulated by society's institutions and operate in a legal and social environment where similar activities are regulated". For Ranyane, survivalist entrepreneurs are persons who are forced into business solely to survive owing to a lack of work prospects and rising poverty levels. However, one may surmise that, should these entrepreneurs be sufficiently profit-driven and their circumstances be sufficiently supportive, profits could be used to formalise or grow the original survivalist enterprise into a more recognisable small business (Asoba & Mefi, 2013).

2.6.4 South African Enterprise Classification

Enterprise classification with respect to qualitative factors such as employee size and turnover is an important issue as far as the development and implementation of relevant policy is concerned (W&RSETA, Henley Business School, 2014). While the terms 'small', 'medium', and 'micro' enterprise exist universally, different classificatory abbreviations are employed. For instance, the abbreviation 'SMB' (Small and Medium Business) is predominantly used in the United States of America, while South Africa uses the abbreviation 'SMME' for small, medium and micro-enterprises. The rest of Africa uses the abbreviation 'MSME' or micro, small and medium enterprises. The National Small Business Act of 1996 as well as the National Small Business Amendment Act of 2003 and 2004 (NSB) defines a 'small business' as: "a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in Column I of the Schedule14."

The NSB Act further recognises the existence of the sub-grouping of small, micro and medium enterprises within the category of 'small business', defining each category in the following way:

Small Enterprise	More than 10 employees. Maximum 50 employees
Medium Enterprise	From 100 to 200 employees in the manufacturing, construction, electricity and mining sectors
Very Small Enterprise	Less than 10 employees except if they are in the categories enumerated above in the Medium Enterprise sector, in which case, employee limits rise to between 100 and 200
Survivalist/Micro Enterprise	For survivalist, the turnover generated would be less than the minimum required and would meet the poverty line. These businesses include street vendors (hawkers) and subsistence farmers. In the case of a micro enterprise, the turnover would be around R1000 000 per year (which is the VAT registration threshold limit) and includes spaza shops, taxis and home industries.

Table 2.2 – Enterprise classifications (adapted from Le Fleur et al., 2014)

2.7 The Informal Sector and Spaza Shops

2.7.1 The Informal Economy

The informal economy refers to the existence and activities of informal businesses (and their employees) outside the legal and institutional regulatory framework (Charman et al., 2012). Iwu et al. (2018) contend that although in reality the informal economy comprises two sectors, viz. survivalist and micro-enterprises, both can be classified as informal businesses (see Jesselyn et al., 2006). The informal sector comprises mostly small firms (usually with fewer than five employees) located in low-income areas and generating very low revenues for both businesses and individuals. According to 2013 GDP statistical data, the informal sector contributed about 6% of GDP (Statistics SA, 2014). To compare, more recent estimates suggest that the informal sector in Africa ranges from a low of 20 to 25 per cent in Mauritius, South Africa and Namibia, to a high of 50 to 65 per cent in Tanzania and Nigeria (IMF, 2017).

Bear et al. (2005) describe the South African phenomenon of spaza shops originating in pre-democratic South African townships as small convenience or grocery stores. As noted above, the name is an isiZulu word meaning ‘hidden’ because of the historical origin of these shops in apartheid South Africa. Institutionalised practices of discrimination prohibiting economic activity among Black township dwellers meant the shops were hidden or trading secretly (Mukwarami, 2017). Basardien et al. (2014) explain the origins of spazas in South Africa: “Before 1994, South Africa suffered a period of oppression through apartheid policies that created a dual economic system that was characterised by severe marginalisation, particularly amongst black people. The areas made available to black people by the apartheid governments resulted in the creation of townships with limited economic opportunities. The emergence of informal business activities such as spaza shops was the result.”

Spaza shops, often known as tuck shops, are micro-convenience grocery stores (Charman & Piper, 2011). Only the most basic commercial enterprises such as butcheries, general dealers and fruit and vegetable shops were permitted to trade (Rogerson, 2019), thus encouraging dependence on White-owned businesses and forcing Black entrepreneurs into illegality and informality (Scheba & Turok, 2019).

Ligthelm (2005) reframes the definition of a spaza shop as a business that operates from a part of an occupied residence or in a structure on a stand in a formal or informal township where the zoning is for residential purposes and where people live permanently. This definition is more suitable for this study as it emphasises the non-entrepreneurial special positioning and survivalist nature of most spazas. Ligthelm (2012) observes: “Motivated by both economic necessity and business opportunity, informal micro businesses are a prominent feature of township areas”. He references the GEM’s distinguishing between entrepreneurs by motive, i.e., between those entrepreneurs pursuing an opportunistic endeavour and entrepreneurs who are forced by necessity to establish an enterprise due to unemployment or poverty. The term ‘necessity entrepreneur’ is thus synonymous with ‘survivalist entrepreneur’ and associated with the phrase ‘growth oriented’. Informal enterprises can be viewed as entrepreneurial even though the motive for entrepreneurial impetus is necessity rather than purely opportunity. Gries and Naude (2008) point out that larger numbers of people in developing countries are being forced into informal and survivalist self-employment; that is, non-productive entrepreneurship. These people are not entrepreneurs by choice and are, in the terminology of the GEM, necessity entrepreneurs. Opportunity-motivated entrepreneurs can be seen as productive entrepreneurs". Yet the informal sector can also be perceived as productive, since informal sector employment contributes meaningfully to poverty reduction and a job in the informal sector "reduces poverty about as much as a job in the formal sector" (Cichello & Rogan, 2017).

Fourie (2018a) quotes the following statistics: In 2014, the informal sector was generating 6% of South Africa's GDP. Although almost 80% of the estimated 1.4 million informal enterprises were operated by a single person, the proportion providing employment had been increasing, and the retail and wholesale trade was the largest sector within the informal market. Fourie (2018a) maintains that there are sectors within the informal market that are less susceptible to competition, such as the construction sector and associated craft-based industries. By contrast, Leboea (2017) cites a South African Reserve Bank survey that found that 91% of formal sector SMEs generate between 52 and 57% of South Africa's GDP.

Fourie (2018a) acknowledges that informality could be a pathway to a more entrepreneurial model of conducting business, identifying an embryonic (survivalist) situation that could later develop, depending on circumstances, into a mature (entrepreneurial) situation. At this point, the owners may take different paths, such as keeping the household finances separate from the business or moving to formal premises (institutionalisation). Fourie (2018a) suggests that for informal enterprises to attain longer-term viability, they must be helped to achieve self-reliance.

2.7.2 Informal Sector Growth and Employment Orientation

Piper & Yu (2016:1) define informal sector employment as "characterised by inferior earnings, weak job security, insufficient fringe benefits (e.g. lack of entitlement to medical aid and paid leave) and significant under-employment compared with formal-sector employment."

Fourie (2018a) argues that in the period 2001 to 2013, there has been not only an upward trend in multi-person informal enterprises in the townships of South Africa but also an upward trend in their "propensity to employ", indicating an increase in employment orientation and employment intensity in that decade. This underlines the growing importance of informal enterprises as an employer and the need to conserve, support and grow this base through appropriate government intervention.

Fourie (2018b) notes that in a single year (2013), 530,000 jobs were created in the informal sector and of these, 30% came from intensive growth (or employment expansion) and 70% from entry (or extensive growth). Fourie (2018b) uses these results to argue against any generalisation that one-person enterprises are without entrepreneurial ambition. In addition to this, Fourie (2018b) points out that approximately 300,000 informal businesses were created in the same period (2012 to 2013). Segmenting the sector, Fourie (2018b) notes that "nationally, about 73% of those in informal-sector jobs were in 'survivalist' enterprises and about 27% in 'growth-oriented' enterprises". Employment in the informal sector may also be seen as a stepping stone to employment in the formal sector, provided this employment is in growth-oriented informal enterprises rather than survivalist enterprises (Fourie, 2018c).

Rogan & Skinner (2017) quote Budlender (2001) & Essop & Yu (2008) to the effect that the informal sector is a disproportionate source of employment for Black and Coloured workers as well as for women. It must also be noted that in Africa, it is the poor and marginalised who participate in the informal sector (Charman et al., 2012).

The worthiness of the informal sector as a contributing rather than hindering factor to development is emphasised by Ligthelm (2013:59) as follows: "Williams (2007) states that 'for many years in Western nations, the informal sector was represented as a largely negative realm and hindrance to development. In contrast, in developing countries the informal sector has often been presented as a potential contributor to business development. The ILO (2002) holds the view that the informal sector acts as 'an incubator for business potential and … transitional base for accessibility and graduation to the formal economy'. The business acumen, creativity and innovation of informal business owners were presented as motivation for this view".

2.7.3 The African Perspective

To address the broader continental context, Devine & Kiggundu (2016) conclude that "Entrepreneurship can be a cure for Africa's problems such as unemployment, inequality, low productivity, disconnect from global value chains, etc.", whilst concluding that "sustainable development goals (SDGs) in Africa emphasise labour-intensive sectors (SDG 8.2) and increasing small-scale enterprises' access to affordable credit in support of decent job creation and entrepreneurship (SDG 8.3 and 9.3)" (Brixiova et al., 2020). The informal sector (non-farm) has been a growing source of employment for a large section of the African youth, but also for older workers trying to seize entrepreneurial opportunities. Its contribution to GDP and poverty reduction has been substantial, and it has become a major point of entry into the labour market (AFDB, 2019).

2.8 Threats and Competition

Fourie (2018c) indicates that to the detriment of growth, those new businesses that wish to grow or expand employment will encounter many constraints and threats to their viability. New entrants are very vulnerable and up to 40% fail within six months.

In the grocery and related fast-moving consumer goods (FMCG) market, among the threats and competition to informal (spaza) operators in the townships are larger supermarkets and national retail chains that benefit from economies of scale. Hence the sale of consumer brands does not benefit the informal township businesses (Fourie, 2018c). Indeed, the foremost reason that established spaza shops (5 years old on average per the survey) close is their inability to cope with competition, with ex-owners citing ‘unfair’ forms of local competition (Hartnack & Liederman, 2017). Hartnack & Liederman (2017) suggest that the cause could actually be a lack of commercial skills or business acumen. But this author disagrees, since all the businesses surveyed had survived much longer than the six months that Fourie (2018c) presents as average. This is supported by Liederman et al. (2013), whose commentary is based on a 2010 to 2012 study in which locally owned spazas that had been in operation for up to 10 years had closed down in response to foreign-owned spaza competition. Indeed, 70% of the South African-owned spazas at the start of the study had closed down and the ownership ratio at the start (57% local owned) had dwindled to 28% by the end of the study. This trend is supported by other evidence adduced by Hartnack & Liederman (2017) (for spaza shops situated in Delft): “Despite stiff competition, the best-run spaza shops in the case studies were often undermined by other, non-business-related factors which tipped the balance between success and failure ... rather than a lack of competitive drive.” Among these non-business related failure factors were bureaucratic and regulatory issues, law enforcement harassment, family or household shocks such as family tragedies (e.g. fire, illness) and funerals (Hartnack & Liederman, 2017).

Regardless of the preceding, the threat of competition presented by very recent entrants into the market and the consequent rapid demise of the locals were so conspicuous as to lead to accusations of unfair competitive practices (Hartnack & Liederman 2017). In the case of the research reported by Hartnack & Liederman (2017), all the local businesses surveyed had been established players and all succumbed to Somali traders that employed what the researchers considered to be a more entrepreneurial business model. All the respondents in the study had also claimed that up until the arrival of the Somalis, they had handled their businesses well.

In summary, two predominant competitive factors arise to establish decisive or defeating competitive advantage: (1) The adoption of entrepreneurial models by mainly foreign operators, including better funding and choice of location (Perks, 2010; Vhuthu, 2019); and (2) Age demographics. Among these, it is age demographics that have been least studied.

2.9 Competitive Advantage and Competition

Ligthelm (2012:11417) quotes Porter's (2008) contention that "competition is one of society's most powerful forces for improving conditions in many fields of human endeavour". In townships, traditional spaza shops compete with pressures from malls housing national chain retailers as well as the rising tide of migrant, foreign-owned spazas (Charman et al., 2015:1). Yet despite the disparity in their relative sizes and their proximity to these supermarkets, spaza stores remain a significant component of the household supply chain, having managed to weather the price-cutting techniques of these businesses.

Liederman et al. (2013) confirm the extensive rival positioning of foreign spazas near existing South African spazas as an aggressive entrepreneurial strategy in the Delft township in Cape Town. Yet Hartnack & Liederman (2017) point out that the best-run spaza outlets in their case studies were often affected by non-business-related elements and factors that shifted the balance between success and failure, rather than by a lack of competitive drive.

According to Jere et al. (2014:1), "Research suggests that 70-80% of small business start-ups fail in their first year which points to an additional strain on informal business proliferation", and it is widely accepted that the survival rates of South African small businesses are remarkably low (SME South Africa, 2018). Ligthelm (2012:11416) claims that it is about 43.2%, based on a longitudinal study conducted in 2011. Yet the National Development Plan (2013) estimates that by 2030, small, micro, and medium enterprises (SMMEs) will account for almost 90% of all jobs in South Africa, and these commercial activities already bring in money for millions of people. Supporting and expanding them has the potential to channel resources into poorer households and communities, and should be a crucial part of efforts to achieve broad economic empowerment and inclusive growth.

2.10 Foreign (Migrant) Entrepreneurs

Chiloane-Tsoka & Mmako (2014) observe that migration is a common pattern in developing societies, whether it is rural to urban or international cross-border migration. They note that rural to urban migration has a particularly damaging effect on urban employment in developing nations, while in the case of South Africa – international cross-border migration worsens already overburdened public healthcare systems and social services. Chiloane-Tsoka & Mmako (2014) recall that, some years before the 2008 xenophobic township violence in South Africa, Crush (2000) had warned that the influx of foreign migrants could possibly have a destabilising effect on poorer communities in South Africa.

Vhuthu (2019) cites several sources (MacDonald et al., 2000; Hunter & Skinner, 2003; Valji, 2003) who agree that South Africa's overall political and economic outlook presents a superior destination for personal economic advancement, and hence an attractive destination for both economic migrants and political refugees.

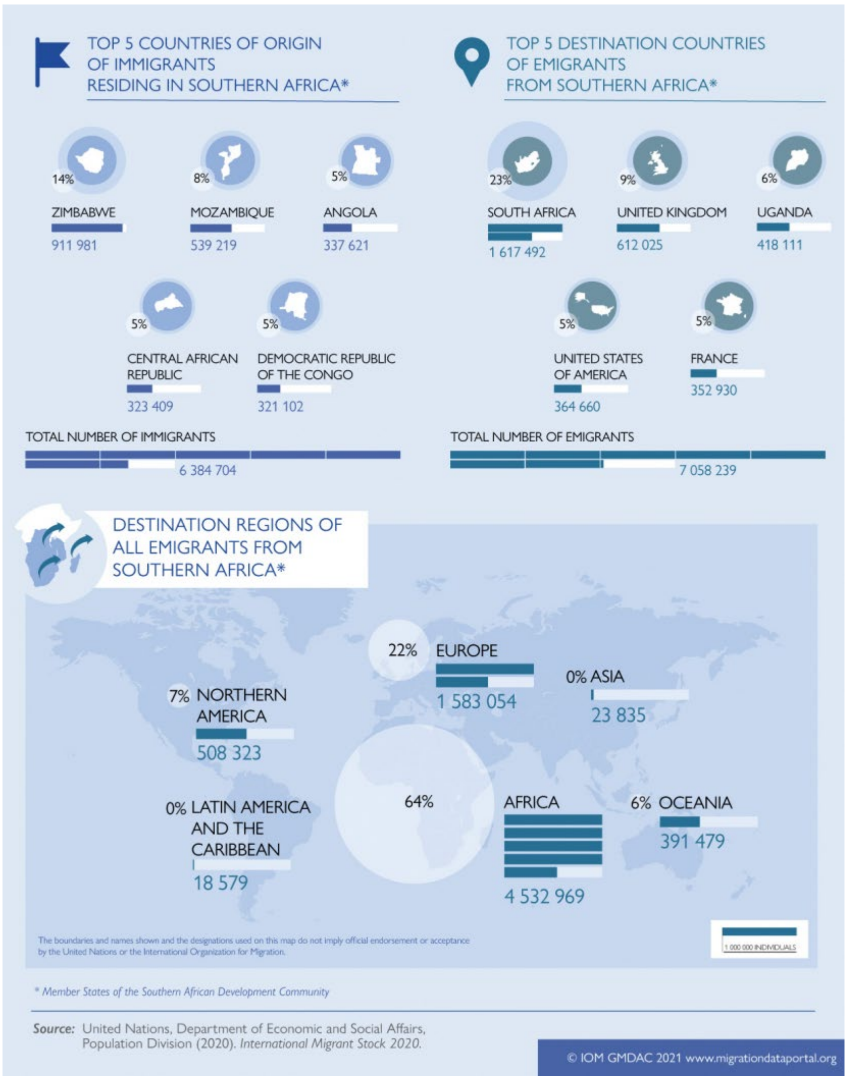


Figure 2.4. African Migrants' Destination Countries.(Source: http://www.migrationdataportal.org)

Chiloane-Tsoka & Mmako (2014) differentiate politically expedient international labour supply agreements concluded by the apartheid regime with other African Anglophone and Francophone countries to allow workers temporary residence in South Africa, from the newer migrants who are not part of South Africa's traditional immigrant history from other parts of Africa, Europe and Asia. It is these new migrants (primarily Pakistani and Somalian), they claim (2014:379), who have "identified gaps for small emerging businesses for the poor."

Tengeh & Mukwarami (2017:62) situate the informal (spaza) market in the townships in the context of post-apartheid unemployment levels by citing Mkoka (2012): "A genuine assessment of South Africa's workforce at the end of the apartheid era suggested the dire need for transformation. Of particular concern was the fact that the majority of Black South Africans lacked the requisite skills to meaningfully participate in the mainstream economy. It is believed that most of the black South Africans who could not get formal employment were pushed into starting small businesses in the informal sector as a means of survival". Tengeh & Mukwarami (2017) contend that this did not create a formal economy in the townships, since spazas already existed during the apartheid era, but – because of liberalisation and red tape reduction with the advent of democracy – it certainly contributed to the explosive growth of the informal/spaza sector, post-apartheid. Tengeh & Mukwarami (2017:62) do not specify which skills were in demand in South Africa immediately post-apartheid, but cite their lack as one of the reasons why South Africa attracted African migrants: "At face value, the quest for skilled manpower may have influenced the influx of immigrants and particularly those of African origin who perceived opportunities in South Africa for either employment or self-employment". These non-South Africans who resorted to the operation of spaza shops upon arrival presented a momentous challenge to the indigenous spaza shop owners who considered the former's participation as a threat (Liedeman et. al., 2013).

However, Migrationdataportal.org (2022) – which tracks migration data in the Southern African Development Community (SADC) – suggests other reasons for the migration phenomenon, push factors such as a lack of opportunities, political and economic instability and natural disasters in the migrants' countries of origin. The fact that South Africa is the most industrialised economy in the region would be the primary pull factor. It must also be noted, according to the website, that a few other countries also serve as regional economic "pillars" and these are Zambia, Botswana and Angola. The website estimates the migrant population residing in South Africa as at mid-year, 2020, to be 2.9 million.

2.10.1 Local versus Foreign Spaza Competition

Liederman et al. (2013) confirm that the fierce competition between local spaza owners and migrants has been ongoing since 2005, with an associated rise in xenophobic violence in townships since 2008. Within the context of general opposition to foreign business owners in the townships, foreign-owned businesses have been the object of co-ordinated violent attacks (Liederman et al., 2013).

Charman & Piper (2011:2) unpack this xenophobic violence through the application of theories of group conflict and relative deprivation, noting that the latter perspective places major importance on: “the struggle for resources, real or perceived, including access to low-cost housing, access to jobs and access to economic and business opportunities, notably within the informal markets that provide goods and services”.

2.10.2 Foreign / Migrant Spazas: Reasons for Success and for Local Failure

Liederman et al. (2013) suggest several reasons why foreign-owned spazas have been more successful than their locally-owned counterparts:

- Access to cheap(er) labour (by using nationals from their own country);
- Strong social networks based on clan identity;
- An entrepreneurial model of operation in terms of position/location and capitalisation;
- Group purchasing advantages through collective bulk buying (also confirmed by Bokolo, 2018) and described in some cases as taking place within coopetive relationships. Coopetition is defined as “simultaneous cooperation and competition among rival business owners ... a tactic widely used by foreigners who run local spaza shops, and who, it is reported, are more successful than South African owners” (Hare, 2017);
- Price discounting as the main form of competitive advantage.

Liederman et al. (2013) further note that most Somali-run businesses appeared big enough to operate under the “small business” classification, whilst the surviving South African businesses remain survivalist. It is important to note that Liederman et al.’s (2013) reasons do not include a “lack of business or managerial skills” as a major predictor of the demise of South African - owned spazas – although this would affect the establishment of larger enterprises (Chiloane-Tsoka & Mmako, 2014) wishing to compete in the small-to-medium enterprise category, where a more sophisticated approach to business operations is necessary (such as tender applications, etc.). This is opposed by Fatoki (2014), who insists that education and the prior work and business experience of foreigners provide them with a competitive advantage over local SMME operators. Fatoki (2014), however, fails to distinguish survivalist micro-enterprises from other more formalised micro-enterprises that require a higher level of operator sophistication. As indicated above, the present study focuses on survivalist informal enterprises.

Charman et al. (2012:51) comment: “Whilst the spaza market offers potential opportunity for success, many new entrants fail. Although no accurate data on the survival of spaza business is available, it is thought that up to 50% of new entrants are unable to sustain their businesses for longer than five years, though those that do survive have great longevity”. The Ligthelm (2005:205) study reports that an impressive 40% of spazas in the urban context had been in operation for longer than five years. It is significant that existing spaza shop microentrepreneurs were willing, until the arrival of immigrant shopkeepers, to permit a continuous stream of new entrants into the market. Before this time, spaza shops rose and fell, but accounts of foreigner competition and/or violent entrepreneurship from competitors were rare. As Ligthelm (2005:205) himself notes: “These insights help inform the key finding of this study, namely that the conflict between local and foreigner spaza retailers is less about identity politics than it is about fundamentally differing approaches towards business. Most local spaza micro-enterprises, we propose, had not historically engaged in price competition but rather operated on the basis of their location and relationships with clients”.

An associated theory of failure is the “liability of poorness” (Morris et al., 2020), which specifically addresses perceptions of failure among township survivalist entrepreneurs. This theory posits that “poverty conditions lead the poor to launch ‘commodity’ ventures that lack differentiation, must compete on price, are labour-intensive with high unit costs, earn small margins, lack technology and sophisticated equipment, purchase in small quantities, and have very limited capacity” (Morris et al., 2020). This is entirely true of the model of the survivalist entrepreneur in South African townships described in the preceding sections.

All newly created ventures suffer from the liabilities of newness and smallness, that is, the unpredictability of newly-created ventures along with incorrect assumptions made and unrealistic expectations held by their founders (Morris et al., 2020). Added to these are the making of poor decisions and the resistance the new venture entrepreneur encounters from customers, suppliers, distributors and financiers (Morris et al., 2020). The authors explain that impoverished survivalist entrepreneurs face further hurdles in enterprise survivability because of their state of financial deprivation – the “liability of poorness” – which is characterised as: “the potential for failure of a new venture that is associated with problems the entrepreneur struggles to adequately address because of characteristics and influences deriving from a poverty background. In effect, the liability of poorness puts the individual at a relative disadvantage compared with other entrepreneurs”.

Liederman et al. (2013) conclude that competition with foreigners should remain an aspect of the township trading landscape to foster competition and entrepreneurship. The survival of locally- owned spazas – as a vital supplier of employment and a transferer of generational entrepreneurial skills amongst family members – should specifically be addressed.

The combined effect of all the factors mentioned above has been the rise to dominance of foreign-owned spazas and the demise of South African-owned spazas as they buckled under the pressure of price competition and the “skills” manifested by foreign spaza operators

(Chiloane-Tsoka & Mmako, 2014:380). These authors conclude that an immigration policy overhaul is necessary in order to diffuse tensions.

Charman et al. (2019:49) sum up the situation thus: “South African shops typically run on more individual and ‘survivalist’ lines. Importantly, the latter includes the local practice of competing on location rather than price, reducing profit margins but also retaining market entry opportunities for nearly anyone looking to supplement income. The advent of a price-competitive business model has upped rates of profit and reduced prices but simultaneously reduced market access options”.

2.11 Township Violence and Xenophobia

South African townships are home to large communities of both voluntary and forced migrants from Africa and elsewhere. Smit & Ruganan (2014) cite the United Nations High Commissioner for Refugees’ 2013 report (UNHCR, 2013) claiming that from 2006 to 2011, South Africa was the world’s greatest recipient of asylum applications, and that in 2012, South Africa ranked third in the world, after the United States and Germany, in terms of registered asylum seeker claims received.

Violent attacks against African immigrants have occurred in townships and informal settlements across South Africa. The violence represents an intensification of hostility rather than a new phenomenon, as isolated xenophobic attacks against immigrants in South Africa date back to around 1994. According to Charman & Piper (2012), violence against Somali merchants is frequently presented as an indication of xenophobic attitudes in South Africa, but this is not always the case. Piper & Charman (2016) highlight the battle between South African and foreign storekeepers for dominance of the Western Cape’s spaza market, blaming this for the rise in township xenophobic incidents.

Earlier studies on xenophobic township violence and its causes, no matter how framed (criminal versus resource competition), nevertheless foreground themes of economic and resource competition. A resident of Motherwell township in the Eastern Cape province of South Africa is quoted as justifying anti-immigrant violence by saying: “The approach of Somalis to come and just settle in our midst ... the more they come to South Africa to do business, the more the locals will continue killing them” (International Organisation for Migration, 2009:17). Of note is that resource competition with foreigners and the friction it generates is not a uniquely South African phenomenon and many such incidents have been documented globally (Piper & Yu, 2016).

2.12 Summary

Chapter 2 expands on the central theme of the study, delving deeper into various theories of entrepreneurship. It looks at the literature on the failures of entrepreneurship within the South African spaza sector and introduces the entry of foreign spaza ownership, noting the resultant dynamics and the friction and violence eventually generated by the domination of foreign spazas. The approach challenges the existing narrative about the lack of competitiveness among South African spaza operators within the townships.

Chapter 3: Research Philosophy, Approach, Design and Methodology

3.1 Research Paradigm

A research paradigm is an approach to a research problem that is regarded as standard by a substantial body of researchers for a substantial period of time (Editage Insights, 2020). There are, broadly speaking, two established paradigms for social science research: (i) positivist and (ii) interpretivist.

This study leans towards the interpretivist paradigm, which depends upon the ontological assumption that there is no single reality or truth, and that reality is constructed through interpretation. One requires the (non-numerical) input of opposing parties (in this case, local and foreign traders) in order to negotiate an interpretation that accommodates their differing viewpoints and reveals "the underlying meaning of events" (Patel, 2015). The key principle in undertaking interpretive or qualitative research is understanding people as they exist and make sense of their own lived experience.

3.2 Research Approach

The problem statement points to a complex issue that requires a nuanced approach. The approach employed is therefore predominantly qualitative, which allows for the extraction of meaning from rich sources of data such as interviews, observations and case study (Patel, 2015).
Such meaning construction results in the formation of concepts that assist us to understand social events in natural (rather than experimental) contexts, with due attention being paid to the meanings, experiences and perspectives of the participants (Pope & Mays, 2006).

The qualitative approach is classified (based on the nature of its disciplinary origins) as a case study (a bounded case) using a phenomenological approach, that is, taking seriously the subjective, lived experiences and perspectives of a group of individuals with shared experience (Creswell, 2014).

3.3 Research Design

The interpretivist research paradigm lends itself to the social constructivist notion of grounded theory, which, according to Galbin (2014), assumes that there is no universal determination for what is true or false in society. Rather than beginning with an existing theory and checking whether the data fits that theory, in grounded theory new explanations are synthesised by the researcher from the data acquired. Creswell (2014) notes that qualitative research in general does not start off with a well-formed hypothesis. Its social constructivist tenets mean that the research requires the adoption of a position of mutuality between researcher and participant in the research process (Mills et al., 2006).

Part of the aim of the study is to determine, via a count survey, the ratio of immigrant to local traders are in a middle-class suburb (where there are relatively more restrictive zoning policies for informal businesses as opposed to townships) and to determine by comparison if the same competitive forces operate in a comparatively resource-rich, indigenous-owned SMMEs. In middle-class suburbs, all retail businesses are formal, contained in a formal business district or within a commercial property with a long history of retail trade, access to capital and long established networks including supply chain networks. The inclusion of a third sample population, that of FMCG suppliers to the spazas (called wholesalers in this study), seeks to determine the influence of relationships, if any, between spazas and their direct suppliers in improving the competitiveness of any group of spaza operators.

From the above, it can be deduced that the research design or strategy is a blended one, centring on a phenomenological study comprising sufficient interviews to build a dataset to look for emerging themes, but using other participants and sources to validate the findings. The strategy therefore consists of:

- Interviews/Questionnaires comprising open-ended and close-ended questions for spaza owners (separate questionnaires for foreign and local spaza owners)
- A count census to compare foreign owned formal grocery shop penetration in a middle-class suburb of Cape Town
- A questionnaire targeting the SMME suppliers/wholesalers in Mitchell's Plain Township of Cape Town.

3.4 Delineation of the Study

The study will cover three separate, geographic regions within the Cape Town metropole. One will be a section of a township (Delft) comprising the Hague, Roosendal and Eindhoven, known as Ward 13 (https://wazimap.co.za/profiles/ward-19100013-city-of-cape-town-ward-13-19100013/), as a representative South African township; another will be the Belthorn estate area of the City of Cape Town, Ward 48 (https://wazimap.co.za/profiles/ward-19100048-city-of-cape-town-ward-48-19100048/), representing a typical South African middle-class suburb with clearly defined residential and trading zone(s); and finally, Mitchell's Plain CBD (City of Cape Town Ward 79 (19100079) - Profile data - Wazimap) since it is anticipated that many of the wholesale suppliers are situated there.

Figure 3.1: Map of the Delft survey area. Source https://mapcarta.com/N262719802

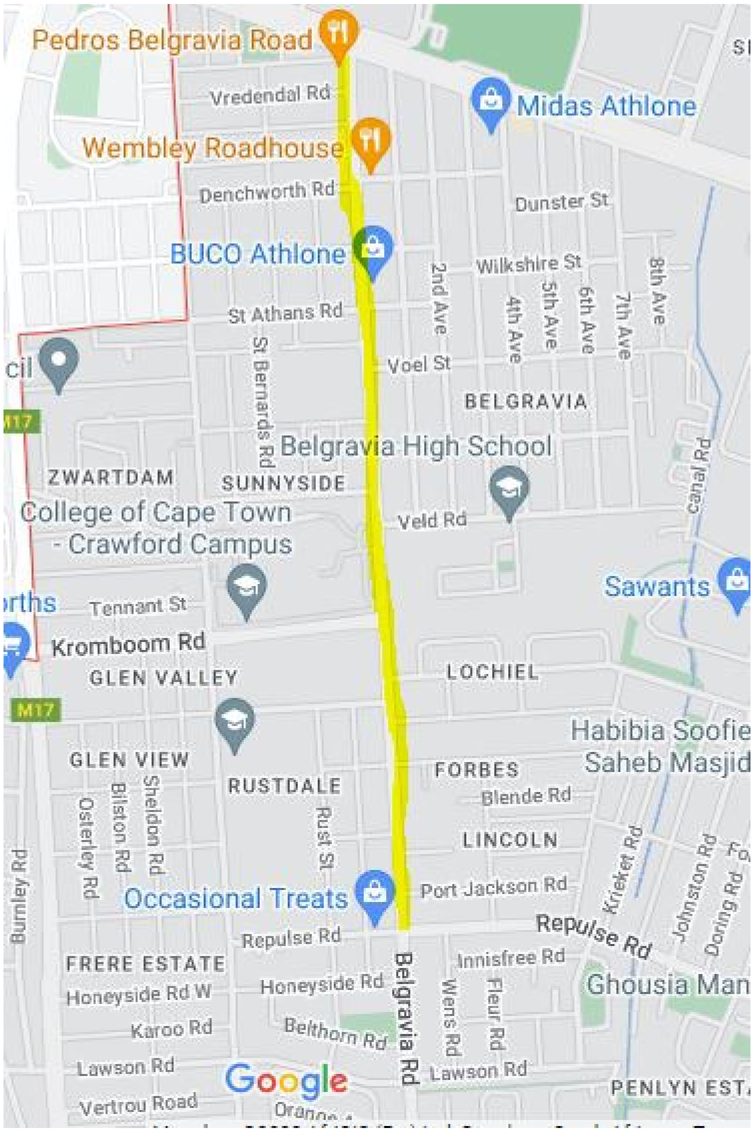


Figure 3.2: Belgravia road, Athlone. Source: https://www.google.com/maps/place/Belgravia+Rd,+Belgravia,+Cape+Town

3.5 Research Methods

3.5.1 Population and Sample

A population comprises all the subjects or items that a researcher seeks to know about or study (Chadwick, 2022). There are four populations from which samples are drawn for the questionnaire administration and count surveys: immigrant/foreign township traders, local township traders, South African traders in a middle-class South African suburb, and suppliers to the spaza owners. South African middle-class traders will be drawn from a middle-class neighbourhood where traders have historically been predominantly South Africans of Indian origin, whilst spaza operators regardless of nationality will be drawn from the township of Delft. Suppliers to spaza shops (wholesalers) will be from Mitchell's Plain, a large traditional spaza supplier hub drawing spaza owners from several townships including Delft, and they will be demographically profiled. The primary research instrument will be a unique, comprehensive (hybrid) questionnaire for each group, which will contain a mixture of closed- and open-ended questions. The interviewer will direct appropriate questions to members of each of these populations.

3.6 Sample Method, Technique and Size

If a population is too large to use in a study, a manageable, statistically representative subset of that population – or sample – can be used (Chadwick, 2022). In this dissertation, the collection of empirical data proceeds through a hybrid of purposive sampling (which would allow one to build on existing research in the same representative geographical area) and randomised probability sampling for respondent groups not covered by previous research (shops within the central business district and surrounds of a middle-class suburb traditionally or historically served by South African traders for at least the past 50 years). This sample would represent an entrepreneurially-oriented group of middle-class traders operating in formalised settings in a traditional middle-class CBD. A sample of 9 individuals was randomly selected and interviewed using a mixed (open- and closed-ended) questionnaire. There will also be a sample population of suppliers to the spazas located within a township CBD.

3.7 Collection Instruments

Msweli (2011:65) explains that "[s]ince in qualitative studies (inductive approach), data interpretation and data analysis are closely woven with the data collection process, the focus of qualitative data collection and analysis is on providing rich descriptions of phenomena and the contexts in which they are localised, the interviewees having been pre-identified in a preliminary study". In this study, the questionnaires comprised a combination of structured and semi-structured questions. This enabled the collection of open-ended data and thus the exploration of deep-rooted and charged feelings on the problem at hand. The flexibility of semi-structured questions also allowed the researcher to establish rapport with the participants to elicit an honest, forthright account of sensitive issues. The questionnaires were supplemented by count surveys for foreign spaza operators, retail operators in a middle-class suburb and wholesale suppliers to the spaza operators. Additionally, an ownership census of locally-owned versus foreign-owned spazas in the Delft area was taken to enable a comparison with previous data. Questionnaires were researcher-administered. Because an entire questionnaire was devoted to foreign spaza operators whose first language might not have been English, questions were kept brief and simple to understand.

3.8 Data Coding and Analysis

Since qualitative research renders non-numerical data, the data requires coding, a process of assigning quantitative or discriminating tags (What is constructivist grounded theory, 2021). Creswell (2015:156) reflects: “Coding is the process of analysing qualitative text data by taking them apart to see what they yield before putting the data back together in a meaningful way”. The excellence of qualitative research lies in the ability of the researcher to code well (Strauss, 1987).

After the data is captured through the questionnaires, data analysis begins with data coding and progresses to data analysis. Coding is an iterative process. A hybrid coding approach of both inductive and deductive coding (deductive because we will refer to the outcomes of previous research and inductive because we wish to find new themes) was employed. A first step characterised as initial coding is followed by line-by-line coding and finally, analysis (Crosley & Jansen, 2020). Analysis involves code categorisation and theme identification (Crosley & Jansen, 2020). Use was made of Microsoft Excel for the data analysis of open-ended questions. There was no need for translation software as all interviews were conducted in English.

3.9 Ethical Considerations

According to Arifin (2018), ethical issues resonate more strongly in qualitative research because of the in-depth nature of the research method. When doing face-to-face interviews with vulnerable people, ethical issues become considerably more important. According to Shahnazarian et al. (2017), informed consent involves more than just a signed paper – it is a procedure in which the participant is told about the research and its risks. Vulnerable groups such as prisoners, children, pregnant women, etc., require additional safeguards. A signed informed consent form was solicited from each of the respondents.

According to Saunders et al. (2015), ‘anonymity’ is frequently confused with, or used interchangeably with, 'confidentiality’. In fact, anonymity is a sort of confidentiality in which the identities of individuals are concealed. Confidentiality, on the other hand, refers to keeping what participants say, private, which means the researchers agree not to share the data (with other respondents). This research was conducted in strict compliance with both measures.

All the participants’ personal information was held in strict confidentiality. Participants were all adults and no minors were required to participate. Informed consent in this research was obtained through the stating of the research objectives on the questionnaire and by the interviewer informing the participants orally. All personal information regarding participants was held in strict confidentiality and all CPUT confidentiality requirements were complied with.

3.10 Reliability and Validity

A questionnaire is among the most frequently used tools to collect survey information and data in social science research and its main objective is to acquire that data in a reliable and valid way (Taherdoost, 2016).

Dudovsky (2022) explains that: "reliability is the extent to which the same answers can be obtained using the same instruments more than one time. In other words, if an academic paper has high levels of reliability, other researchers should be able to replicate the same results using the same research methods under the same conditions". Dudovsky cites Babble (2010:158) to the effect that "[r]eliability is a concern every time a single observer is the source of data, because we have no certain guard against the impact of that observer's subjectivity". To avoid subjective issues, the questionnaire avoided indecisive choices such as "don't know" options and questionnaires were not left to be answered by the respondents on their own but were actively administered by trained research assistants. The approved questionnaires were tweaked after a pilot/trial run one month before the main survey using respondents in other areas such as Mitchell's Plain.

Validity is described as the extent to which scientific research methods are followed in the attempt to obtain the research findings, with consistent methodology and timeframe being important factors (Dudovsky, 2022). In complying with these requirements, an appropriate methodology was adopted (as described above) and a relevant, relatively brief timeframe of four weeks was applied to the research.

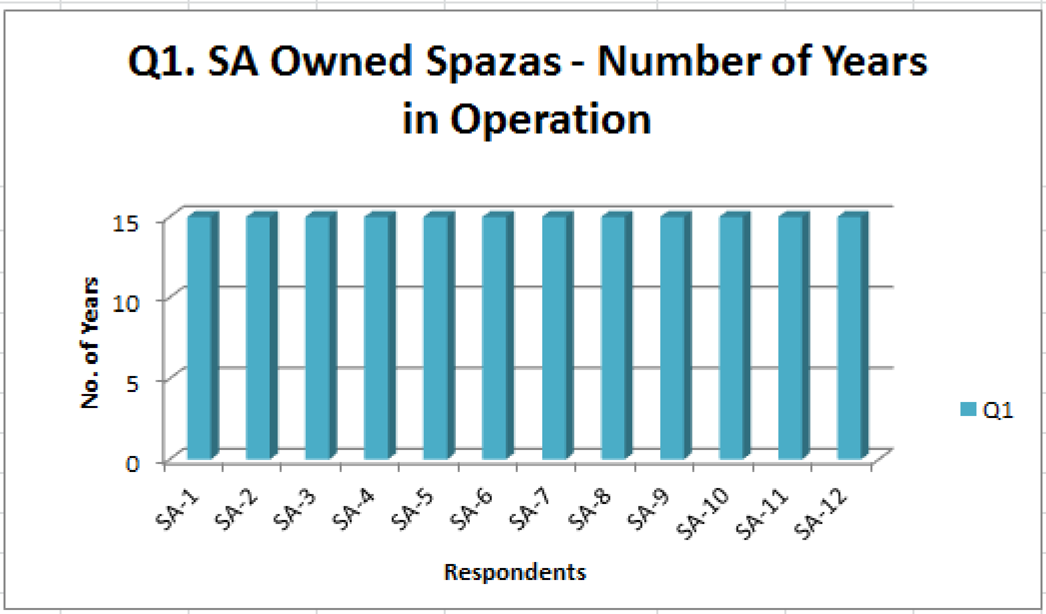
Chapter 4: Presentation of Results, Data Analysis and Discussion

4.1 Introduction

In this chapter, the findings of the questionnaires and interviews are presented, interpreted, analysed and discussed. Descriptive statistics are employed to present and analyse the data. Since there are separate questionnaires for each group (Foreign/Local/Wholesaler), the data is presented separately and then contrasted and discussed. The questionnaire covering the local (South African) spaza traders is analysed first, followed by the ones pertaining to the foreign spaza traders and the wholesale suppliers. Altogether, 40 questionnaires were supplied across the three respondent categories and 30 were completed, representing a 75% response rate. (Incomplete questionnaires were not taken into account.) The questionnaire is divided into 3 sections: demographic questions, business questions and open-ended questions.

4.2 South African Questionnaires

4.2.1 SA Question 1 – Number of years in operation (n=12)



Standard Deviation	0
Mean/Average Trading Years	15
Percentage SA Owners with over 15 years trading	100%

Figure 4.1: South African spazas number of years in operation. (n=12)

The South African spaza owners were asked to indicate how many years they had been operating. A full 100% of the respondents claimed that they had been in business for 15 years or more. The inference here is that all the surveyed South African spaza owners had survived traditional enterprise threats such as competition and were competent in the running and management of a business.

4.2.2 SA Question 2 – Marital Status (n=12)

Concerning marital status, all the South African spaza owners with the exception of a single individual were married, implying that they had dependents and/or the responsibility of supporting a household.

4.2.3 SA Question 3 – Age Distribution (n=12)

Two South African spaza owners fell into each of the age groups 25-30 and 30-40, but the majority (8) were in the age group 40-50. This reinforces the inference made from answers to the previous question, that most South African spaza owners are likely be mature in age, with dependants.

4.2.4 SA Question 4 – Gender Distribution (n=12)

Here, the majority (75%) of South African spaza operators (9) were male and 25% (3) were female.

4.2.5 SA Question 5 – Number of Dependants (n=12)

On the question of the number of dependants being supported, more than half (53.33%) – that is, 7 of the South African spaza operators – had between 3 and 5 dependants, while a minority of 25% had between 1 and 2 dependants. A slightly smaller minority of 16.67% (3) had 6 or more dependants.

4.2.6 SA Question 6 – Level of Education (n=12)

The majority (9 of 12, 75%) of South African spaza owner respondents indicated that they had at least a high school education, while 2 (16.67%) had a primary school education and 1 had a college (tertiary) level education. According to Fatoki (2014), education is one of the indicators of entrepreneurial success.

4.2.7 SA Question 7 – Prior Formal Job Market Experience (n=12)

In trying to gauge another business success factor, the prior formal job market experience of South African spaza owners was surveyed. A figure of 75%, representing 9 out of the 12 South

African spaza operators, had had previous formal work experience. According to Fatoki (2014) and Sharma and Upneja (2005), this too is a contributing factor to entrepreneurial success.

4.2.8 SA Question 8 – Prior Family Business Experience (n=12)

Sajilan et al. (2016) claim that family background is a decisive factor in business success. Here, the majority (8 out of 12, representing 66.67%) of South African spaza owners had no immediate family members with business ownership experience of any kind. Since all the South Africa spaza owners interviewed had operated their spazas for more than 15 years and had flourished despite not having grown up around or within families that practised entrepreneurship, this factor does not seem to have played a role in their entrepreneurial achievement.

4.2.9 SA Question 9 – Do South African spaza operators rent or own their trading premises? (n=12)

All 12 (100%) of the respondents indicated that they owned the premises they operated from.

4.2.10 SA Question 10 – How was the property acquired, through purchase or inheritance? (n=12)

A majority of 75% of respondents indicated that they had purchased their property, while 25% had inherited theirs. The burden of rent or bond payments weighs heavily on the running costs of a business. Since the majority of South African spaza operators claimed that they had purchased their properties, it must be assumed that even if they had paid off their bonds, there had to have been a bond repayment burden for a considerable period of time during which they operated their businesses. This equates to renting a business property.

4.2.11 SA Question 12 – Proportion of South African spazas that have access to credit (n=12)

None of the South African spaza owners interviewed had access to credit from the suppliers they frequented.

4.2.12 SA Question 13 – Distribution of spazas that have closed down permanently (n=16)

Four of the 16 South African spaza operators in a count survey had closed down permanently, while 4 more had closed but subsequently let their business premises to foreign operators.

4.2.13 SA Question 14 – What is the total start-up investment in the business? (n=12)

The start-up investment for the South African spaza operators was approximately R3600.

Sa Spaza's - StartUp Investment in ZA Rands	
Mean	3666.666667
Standard Error	655.2044943
Median	3750
Mode	3500
Standard Deviation	2269.694947
Sample Variance	5151515.152
Kurtosis	0.076391003
Skewness	0.06867987
Range	8000
Minimum	0
Maximum	8000
Sum	44000
Count	12

Figure 4.2. South African - Average start-up investment (n=12)

4.3 Foreign Questionnaires

4.3.1 Foreign Question 1 – Foreign Spaza Ownership by Nationality (n=12)

Six of the 12 foreign spaza owners interviewed were from Bangladesh (50%), with 3 each from Egypt and Somalia. This represents a localised phenomenon (by suburb) rather than a general one, as can be surmised from the count data presented below.

4.3.2 Foreign Question 2 – Foreign Spaza Owners' Age Distribution (n=12)

A majority (6) of the foreign spaza owners (50%) fell into the 21-24 year age group, whilst 4 were in the 25 to 30-year-old group and only 2 were older than 30.

4.3.3 Foreign Question 3 – Foreign Spaza Owners' Gender Distribution (n=12)

All 12 (100%) of the foreign-owned spaza operators were male, which can be contrasted with the local female representation among local spaza owners.

4.3.4 Foreign Question 4a – Distribution by Marital Status (n=12)

Seven out of the 12 foreign spaza owners were not married (almost 60%) and 5 were married. This contrasts with local spaza owners, all of whom were married. See the linked distribution table by nationality, below. Almost all were not married when they arrived in South Africa.

4.3.5 Foreign Spaza Owners Question 5 – Married Distribution by Nationality (n=12)

All of the Bangladeshi spaza operators were single, whilst the Egyptians were all married and the marital status of the Somalis was mixed.

4.3.6 Foreign Spaza Owners Question 6 – Presence of Relatives in South Africa (n=12)

Foreign spaza owners were asked if they had relatives (and thus a support network) living in South Africa. The majority (83.33%) answered 'no'.

4.3.7 Foreign Spaza Owners Question 7 – Presence of Their Own Families in South Africa (n=5)

When asked about the presence of their immediate families/dependants (among those who were married), 40% said that they had their families living with them in South Africa.

4.3.8 Foreign Spaza Owners Question 8 – Number of Dependants (n=12)

As to the number of dependants that foreign spaza owners have, 50% revealed they had none, while 16.67% claimed that they had between 4 and 6 and 33.3% said they had between 1 and 3 dependants.

4.3.9 Foreign Spaza Owners Question 9 – Number of Years Spent in South Africa (n=12)

When quizzed on the number of years foreign spaza owners had been in South Africa, half (50%) of those interviewed had been in South Africa for 10 years or more, 1 had been here for 1 to 3 years, 2 had been here for between 4 and 6 years and 3 had been here for between 7 and 10 years.

4.3.10 Foreign Spaza Owners Question 10 – Level of Education (n=12)

Responding to this question about the highest qualification achieved, 11 of the 12 (over 90%) had completed a high school education and one had a tertiary or college level education.

4.3.11 Foreign Spaza Owners Question 11 – Occupation before Arriving in South Africa (n=12)

The occupations of foreign spaza owners prior to their arrival in South Africa were as follows: 4 were unemployed, and the remainder included a farmhand, smallholding farmer, hotel worker, schoolboy, shop assistant, soldier, taxi driver and university student. In other words, no-one had any small business start-up or managerial experience. A partial exception was the individual who had been a shop assistant but was not involved in management or the running of the business.

4.3.12 Foreign Spaza Owners Question 12 – History of Self-Employment in Immediate Family (n=12)

When foreign spaza owners were asked if any immediate family members were business owners or self-employed, the majority (66.67%) reported no family members who were engaged in self- employment or were business owners. The rest had family members who were engaged in a business of some kind.

4.3.13 Foreign Spaza Owners Question 13 – Employment Status of Respondent (Employee or Owner) (n=12)

Foreign spaza respondents were asked whether they owned the shop themselves or were running the shop on behalf of an owner. All of them owned the businesses they ran and were not employed by anyone else. This situation is not universal, however, as it seems that there were several foreign-owned spaza shopkeepers who did not agree to participate in the research on the grounds that they were just employees and not owners. If this is true, it would confirm the entrepreneurial model that some foreign spaza operators are alleged to employ.

4.3.14 Foreign Spaza Owners Question 14 – How was the spaza shop acquired – by purchase of a going concern or as a start-up? (n=12)

Seven out of 12 (over 58%) of the foreign spaza owners had started their businesses from scratch as opposed to buying it as a going concern, whereas, as seen above, all (100%) of the South Africans had started their businesses from scratch.

4.3.15 Foreign Spaza Owners Question 15 – Of those who acquired their businesses as going concerns (by purchase), from whom was it acquired? (n=5)

Of those who acquired their shops as going concerns, 3 (60%) acquired it from a South African whilst 2 (40%) acquired it from a Bangladeshi. This latter figure seems to indicate that foreign spaza owners who were not attached to their trading properties (as their primary residence, for instance), could seek out better opportunities by "selling" (for the goodwill) their businesses (typically to a new arrival from Bangladesh) and purchasing another more lucrative business. This also evidences entrepreneurial behaviour.

4.3.16 Foreign Spaza Owners Question 16 – Were the business premises owned or rented? (n=12)

None of the foreign spaza operators claimed that they owned their business premises. All of them rented it.

4.3.17 Foreign Spaza Owners Question 17 – How much start-up capital was employed? (n=12)

All of the foreign spaza operators (100%) employed R20 000 or more for start-up capital. This is in sharp contrast to South African spaza owners, who started their businesses with considerably less capital. This discrepancy does not, however, seem to have affected the survival or success of the young South African enterprises.

4.3.18 Foreign Spaza Owners Question 18 – Nationality of the landlords? (n=12)

All of the foreign spaza operators' landlords (100%) were South African.

4.3.19 Foreign Spaza Owners Question 19 – Availability of credit from wholesale suppliers? (n=12)

Foreign spaza operators were asked if they could access credit from their suppliers. Seven of the 12 (more than 58%) of them had access to credit from a supplier. Access to credit represents a competitive advantage.

4.3.20 Foreign Spaza Owners Question 21 – Living on or off the trading premises? (n=12)

All the foreign spaza operators, in responding to whether they lived within the shop and hence avoided paying additional rent for accommodation, replied that they (100%) lived on-premises. This frugal existence helps to keep personal expenditure to a minimum.

4.3.21 Foreign Spaza Owners Question 23 – Who were their perceived toughest competitors? (n=12)

Around half of the foreign spaza operators thought that Bangladeshis were the toughest competitors, while the other half named Somalis as their toughest competitors. The inference is that none of the foreign spaza shop-owners considered South Africans a competitive threat. This corroborates the evidence from the research previously mentioned.

4.4 Wholesale Supplier Questionnaires

4.4.1 Wholesalers Question 1 – Ratio of foreign to local customers (n=6)

Wholesalers to the spaza trade were asked how they perceived the ratio of local to foreign spaza customers. Of the 6 Wholesale suppliers interviewed, 3 reported that an estimated 90% of their customers were foreign spaza owners, whilst 2 reported that 80% of their customers were foreign spaza owners and 1 reported that 95 percent of their customers were foreign spaza owners. This shows that the overwhelming majority of spaza and retail businesses in the areas serviced by these wholesalers are foreign owned. These areas include several townships including Mitchell's Plain, Samora Machel, Khayelitsha and Delft.

4.4.2 Wholesalers Question 2 – Do Wholesalers offer credit to spaza customers? (n=6)

Four out of 6 (66.67%) wholesalers reported that they offered conditional credit to certain customers. There were no South African-owned wholesale businesses in this group.

4.4.3 Wholesalers Question 3b – What is the basis for determining creditworthiness; i.e. among those wholesalers who were supplying credit to spazas, how were the customers vetted? (n=4)

All the wholesalers said they supplied it on the basis of either kinship (25% – that is, to people that came from the same village or family) or nationality (75% – that is, a Pakistani-owned wholesaler would supply any Pakistani spaza owner with credit as a rule), rather than a credit or background check (universally accepted methods of determining credit worthiness). In other words, as there were no South African-owned wholesalers that extended credit, foreign spaza owners of Pakistani or Bangladeshi origin benefitted exclusively.

4.4.4 Wholesalers Question 3c – Uniform pricing policy or discounts on large purchases? (n=6)

Wholesalers were asked if they provided discounts on large purchases. Exactly half of the wholesale suppliers surveyed did not offer any discount on very large purchases, while the rest said that they negotiated depending on what they purchased that item for. Bulk buying is a competitive advantage if prices are discounted. The fact that only 50% of wholesalers conceded that they negotiate on price for bulk purchases, and only if their purchase price was competitive, means that this – because it cannot be used consistently – is not a particularly effective competitive advantage.

4.4.5 Wholesaler Question 8 – Do foreign spazas purchase more or less on average than local spazas? (n=6)

This question tested the perception that wholesalers have of the average basket size per purchase of foreign- versus locally-owned spazas. All of the wholesalers surveyed claimed that foreign spaza owners purchased on average more (a larger purchase basket) than local spaza owners.

4.4.6 Wholesaler Distribution by Nationality – How is wholesaler ownership distributed by nationality? (n=6)

The wholesalers surveyed had ownership that was equally split between Bangladeshis, South Africans and Pakistanis. This is not indicative of the general distribution, which in certain areas such as the CBD of Mitchell’s plain (a wholesaler hub for spazas from many townships in the Western Cape), Bangladeshi-owned businesses predominate.

4.5 Middle Class Formal Business Survey

This is the result of a simple count-survey of a middle class suburb CBD housing several formal grocery shops (n=9). The total ownership of all shops (8) in a middle class CBD by nationality shows that the majority (7 or 87%) of previously South African-owned formal retail grocery businesses are now operated by Bangladeshi foreign nationals and only one South African operator remains, his family having been the historical operator of the business since the early 1900s.

4.6 Open-Ended Questions

4.6.1 SA Spaza Owner Questionnaire, Q13 – Why was the business closed down? (n=12)

Most (80%) of the South African spaza owners who had closed said they did so because of low profitability as a result of direct competition with foreign spazas. The rest closed down because the owners retired and none of their children were available to take over. The children had been educated and obtained professional jobs paying more that the income from the spaza shop. It is worth noting that three of the spazas that remained open were run by individuals of pensionable age who could cope with the decreased profitability as they had paid off their houses and had no more dependants. The balance of South African spazas that remained open were doing well financially and, although they too complained about low profitability, their owners maintained that they were able to cope with the competition due to being established for quite a long time, and by offering credit to maintain customer loyalty.

4.6.2 Foreign Spaza Owner Questionnaire, Q24 – Foreign spaza owners were asked why they chose South Africa as a migrant or refugee destination (n=12)

The foremost reason why foreign spaza operators chose South Africa as a migration destination was because of the low business entry/start-up cost and lack of bureaucratic procedures for starting a small business. Others cited family or clan connections that facilitated their entry: they were provided with local know-how and an immediate support network.

Figure 4.3 Reasons for choosing SA over other destinations

4.7 Foreign- versus Local-Owned Spaza Count – The Hague suburb (Delft)

This is the result of a simple random spaza ownership count survey of the Hague suburb of Delft. (n=21). Although this suburb is where our study sample originated, it comprises a section not included in the questionnaire study. A count survey of spaza shop ownership by nationality in the Hague suburb of Delft shows a 90% foreign ownership of spazas.

4.8 Foreign- vs Local-Owned Spaza Count – Roosendal and Voorbrug suburbs (Delft) (n=10)

This count survey encompassed a portion the Delft suburb of Roosendal. The Roosendal and Hague suburbs are opposite each other but separated by the "main" street of Delft. They represent different socioeconomic groups with The Hague housing a predominantly lower income group. The count survey of spaza shop ownership by nationality in the Roosendal and Voorbrug suburb of the Delft shows a 75% ownership of spaza shops by foreign nationals.

Chapter 5: Analysis and Discussion of Results

5.1 Introduction

In this chapter, the results reported are analysed and discussed in order to answer the research questions posed in Chapter One.

The purpose of the study was to build on research exploring the dominance of foreign-owned spaza shops in South African townships by considering demographics as an important or prime contributory factor. The questionnaires make use of extensive demographic probing to determine possible correlations between demographics and competitive superiority. The questionnaires then go on to pose questions about business-related matters such as suppliers, credit availability and business experience. Separate questionnaires were developed for local and foreign spaza owners, with a third questionnaire for suppliers to the spaza market (wholesalers). Answers concerning suppliers in the spaza questionnaires were used to determine the target area for seeking out suppliers. A separate count survey was undertaken in Delft of areas not covered by the research questionnaires.

5.2 Demographic Results

5.2.1 Age demographics, marital status and dependents

The majority of SA spaza operators fell into the 40-50 year-old group (Question 3) and had been operating their spazas for 15 years or more. In sharp contrast, 50% of the foreign spaza owners were in the 21 to 24-year-old age group, with 83% being under the age of 30 (Question 2) and having been operating for around 10 years (Question 8). This represents a huge contrast: one inference is that there were no new South African spazas being opened in the previous 15 years whereas the opening of new foreign-owned spazas has been an ongoing phenomenon. The demographic statistics also suggest that South Africans opened their spaza shops when they were older than their foreign counterparts.

The great majority (>90%) of South African spaza owners were married, whereas the majority of foreigners (58%) were unmarried (Question 4a). Among the Bangladeshi cohort, 100% were unmarried (Question 4b). South African spaza operators with dependants had on average between three and five dependants, whereas those foreign operators who were married had one to three dependants and did not bring them with them to South Africa.

5.2.2 Education and Prior Work Experience

Among the foreign spaza operators, two-thirds had been employed before, while the remaining third had recently left school and were unemployed before arriving in South Africa. In other words, none of them had any prior business experience. Foreigners and locals reported similar levels of education (contra Fatoki, 2014). Neither a relevant business education nor a complete lack thereof are necessarily predictors of failure in this sector. Spaza businesses are conducted at a minimally sophisticated level and foreigners with farmhand experience were among those who successfully conducted spaza business operations.

5.3 Business Premises

All the South Africans owned the property (Question 9) from where the spaza shop operated, whereas none of the foreigners did, instead renting the premises from South Africans. In other words, foreigners paid rent and South Africans did not (assuming the houses had been paid off).

5.4 Business Experience

Both foreign (66%, Question 12) and South African (66%, Question 8) operators reported an equal lack of family members with business experience and a similar lack of personal experience with starting or running businesses, putting the groups on an equal footing in this regard.

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5.5 Acquiring the Business

The majority (58%) of foreign spaza owners started their shop from scratch (Question 14), whereas the rest purchased a going concern, usually from a South African (Question 15). All of the foreign spaza owners surveyed used R20 000 or more as start-up capital whereas South Africans used substantially less, approximately R3 600 (Question 14). Adjustments have to be made to accommodate the fact that many of the South African spazas surveyed were started up to 30 years ago (around 1990).

5.6 Competition

Foreign spaza owners surveyed perceived other foreign spaza owners (whether from a different nationality or the same as theirs) as more of a competitive threat than South African-owned businesses. Since the majority of foreign operators were either Somali or Bangladeshi, they perceived each other as primary competitive threats. South Africans always stated that foreign spaza owners were their toughest competitors, not other South Africans. This factor (the seemingly greater competitiveness of foreign spaza owners) is characterised by Basardien et al. (2014) as “competitive aggressiveness”.

5.7 Observational and Unsolicited Data (Open-Ended Discussions)

This category refers to information not acquired via questionnaire solicitation but rather in conversation with the various operators. The data includes the fact that Somalis seem to have bigger, better stocked spazas, and that the only wholesale supplier catering to the spaza market in Delft was a Somali-owned business in the Voorbrug suburb. There also seemed to be an “understanding” between South African spaza owners in close proximity to each other that they would collude on pricing: *We use to make competition a lot with each other in the first few months but afterwards we came to an understanding and keep our prices the same but the Banglas [sic], they don’t listen to us and always try to beat our prices* (SA5).

Charman et al. (2015:16) provide some insight into this, citing Charman et al. (2012) and Liedeman (2013): “By maintaining floor prices, they are able to ensure that market entry barriers remain low and enterprise opportunities are diversified within the neighbourhood. This culture of doing business provides an important insight into the competition that has arisen between foreign and South African spaza shops in the past 5 years, wherein the foreign shopkeepers have used price discounting to drive out competition”. They may of course also be colluding on pricing to ensure a liveable income, which is also confirmed by Charman et al. (2012).

South African spaza operators also claim to have special relationships with their clients and work long hours: *Some customers are difficult. They wake us up late at night or early in the morning when they want bread or cigarettes. We don’t mind because they supported us for years and some is neighbours* (SA8).

South African spaza owners also report offering credit: *We even give a lot of people accounts. We know who to give to because some don’t have jobs or they husbands pay a fortnite* [sic, every two weeks] (SA9). Hence, the supplying of credit, special client relationships and out-of-the-ordinary operating times are not the exclusive domain of foreign operators. These are universally practised, in response to clients’ needs. The sheer nature of the “need” or “necessity” entrepreneur taking advantage of what they possess to establish a business, in this context, means that South African spaza operators opened their businesses from their homes. Where there was a great demand and little competition at the time, they were able to thrive, and indeed, some still do, having graduated to a more entrepreneurial model themselves with more attractive, better-stocked shops than what they started out with, and even diversifying into other entrepreneurial ventures. However, as the foreigners are free to choose a spatial location, they often choose better, more strategic ones, usually in direct competition with the locals. This exemplifies the more “entrepreneurial” approach discussed earlier. Many of the South African spaza owners owned a vehicle, but almost all of the foreign operators did not: they used taxis or paid a customer with a vehicle to assist, or even used a supermarket trolley to transport goods over short distances. Among the uncompleted questionnaires, three were distributed to Somali shops where the participants initially agreed to co-operate but later declined, on the basis that the shops they operated were not their own and they worked there as employees. These shops were quite large and had more than one employee. None employed South Africans, but all three had Malawians employed as helpers while the main assistant or manager was a Somali. This is clearly an entrepreneurial model of operation. It has to be assumed that the real owner has more than one business.

When asked about navigating the specials available from the multitudes of available suppliers, one answered: *The small wholesalers don’t advertise, usually I get a WhatsApp from my friends who also have spazas, many of them are in Mitchell’s Plain. Before we use to use MXit”* (SA 10).

This may also be construed as a form of coopetive relationship because strategic trading information is being shared voluntarily with a competitor.

5.8 Open-Ended Data

South African operators whose businesses had been closed or sold were asked why this had happened. As many as 80% attributed this to low profitability, whilst the rest of them had retired. Foreign spaza operators were asked why they chose South Africa as a business destination. The answers reported were: (i) abundant opportunities; (ii) less red tape to start a business; (iii) low business start-up cost; (iv) low cost of living; (v) connections in the form of family already working here; and (vi) corruption – ease of obtaining illegal permits and identification documents. The majority were acting on information from countrymen and relatives who had preceded them here and felt that South Africa had no laws excluding foreigners from operating micro-enterprises. It was also considered fairly cheap to establish one by Western standards (compared to the destinations traditionally favoured by Somali and Bangladeshi nationals, such as the UK or Canada). There is no extant data with which to compare these findings.

5.9 Wholesalers

The wholesaler questionnaire used data established from the spaza owner questionnaires to determine the wholesale area and the traders that spaza owners preferred. The wholesalers were quizzed on the information provided by spaza owners, especially regarding the kind of credit that was provided. In all cases, the South African wholesalers claimed that they could not provide credit because of extremely low profit margins. This they attributed to excessive competition from smaller, foreign-owned wholesalers. Foreign wholesalers, who were overwhelmingly either Pakistani or Bangladeshi, did admit to supplying credit, but only to their "own kind" – meaning either Bangladeshi or Pakistani spaza shop owners.

Wholesalers all reported that the majority (80% or more) of their regular customers were foreign spaza owners (Question 1). Over 66% of wholesalers surveyed said they offered a small credit facility to some customers (Question 2). Of the wholesalers that offered credit, 75% described the basis for offering credit as nationality or kinship (that is, decisions were made on the basis of factors like coming from the same village or town if they were not directly related to the credit applicant) (Question 3b). About half of the wholesalers surveyed claimed they had no separate pricing or discounts for larger volumes of sales (Question 3c). All the wholesalers surveyed noted that the basket of purchases was generally, with a few exceptions, larger for foreign spaza owners than for South Africans (Question 8). How powerful a competitive advantage these micro-credit sales provide is a subject for further study.

Data from the spaza owner questionnaires (both local and foreign) show that, regardless of nationality, spaza operators are quite astute in their procurement practices by shopping from a variety of wholesalers (Question 20 for foreigners and Question 16 for locals), and for more than one reason: *Especially when we started our spaza in the beginning, we didn't have enough money, so we go 3 or 4 times a day to the wholesaler* (SA10). They were able to do this because of the massive proliferation of "mini" wholesale operations in close proximity to each other, concentrated in the Mitchell's Plain CBD and the Lentegeur area. This constitutes a kind of "hyper" price competition amongst wholesalers, which greatly benefits the spaza operators.

The first inference from this is that because of these wholesalers' close geographical proximity to each other (often only 10 to 20 metres apart), with many offering 'specials' that others are not, spaza operators are able to target purchases from each one based on the unique specials or products available, with information quickly shared via the grapevine. Once again, this presents an opportunity for further study. The second inference is that all (whether foreign or local spaza owners) make use of this advantage and, presumably, the lower pricing benefits the end consumer.

The preceding data corroborates the findings of existing literature. Perks (2010) suggests that up to 46% of locally-owned spazas are owned and operated by matriculated individuals who engage in daily planning around monthly expenses. These shopkeepers keep abreast of product and supplier information and buy in bulk from established wholesalers (just as foreign nationals do).

5.10 Count Survey

5.10.1 Roosendal and Voorbrug

These results echo those from the previous suburb where foreign-owned spazas dominate, although there is a significantly higher proportion (25%) of locally-owned spazas still operating in this suburb. The foreign spaza operators are predominantly Bangladeshi and Somali.

5.10.2 The Hague

The result of this random count shows overwhelmingly that the spazas in this suburb of Delft are owned and operated by foreigners. In the Hague suburb, the majority of foreign operators were of African descent, as evident purely from observation (a count by specific nationality was not undertaken). This suburb consisted of noticeably smaller and more densely packed housing units. The results showed further progression of the trend identified in the extensive survey by Liederman et al. (2013). There was then a 70% presence of foreign spazas, whereas now it is 90%.

5.10.3 Belgravia Road, Athlone

Here, 87.5% of all the commercial properties housing general dealers surveyed were now operated by Bangladeshi shopkeepers – in contrast to 100% local ownership of the same properties 15 years ago. The properties were all owned by generational shopkeepers whose houses were often attached to the properties and who had served the community since the establishment of the suburb in the early 1900s. One owner claimed that since the Bangladeshis had taken over the other businesses on Belgravia Road, the competitive status quo had changed to the extent that it was no longer viable to operate the business himself. It was hence let out to a Bangladeshi operator. This was confirmed by two other local shopkeeper-landlords, while a fourth claimed that his children were all professionals and were no longer interested in running a shop. Although he was offered excellent ‘goodwill’ for the shop and received a competitive rental income for the property, he missed the month-to-month income.

Chapter 6: Conclusions and Recommendations

6.1 Conclusions

In summary, as far as demographics are concerned, foreign spaza owners enjoy a competitive advantage by being younger and having fewer or no dependents. This allows them to be more price competitive and withstand longer periods of severe price competition than the South African sample.

As mentioned above, Hartnack & Liederman (2013) emphasise the importance for success of education and experience in running a business. In this study, there is hardly any difference between South Africans and foreigners who – according to the survey results covering business experience and educational background – have very similar backgrounds (high-school education and little to no experience or family experience in running, owning or operating an enterprise). Previous (formal) job market experience, also explored earlier, had a positive effect on the successful running of a business, yet both locals and foreigners appear to have had similar exposure to formal job market work experience.

Locals had bought their houses, were married and supported more dependants of school-going age, with all the extra expenses involved. They therefore had a greater need for higher margins to generate more profit. The entry of foreigners who were much younger, unmarried and had fewer to no dependants gave them a great competitive advantage. As price competition was already acknowledged to be the primary reason why South African-owned spazas failed to compete with foreign-owned ones, this information presents a compelling reason for it. Another compelling and overlooked factor (absent from all the previous literature reviewed) was the vertical integration in the market that favoured ties of kinship and nationality. Thus the smaller wholesale suppliers to the spaza market in places such as Mitchell's Plain were overwhelmingly Bangladeshi and Pakistani. Some of them extended minor (R2000 or less) revolving credit to fellow Pakistani and Bangladeshi spaza operators.

All the foreign respondents slept on the shop premises, except for the married individual who rented an extra room. So although the foreign operators were paying rent, they had minimal living expenses and in most cases, no dependents to support.

With many of the preceding comparisons based on business success factors (as discussed in the literature review) being equal for South African and foreign spaza owners, one is left with the following areas where South Africans are unable to compete. The foreign operators have a powerful lead in that, aside from running larger shops, the majority of them:

(1) Do not have dependents or have fewer that they support (at least initially);

(2) Live extremely frugally by sleeping inside the spaza and avoiding rent for domestic habitation (this is confirmed by Mukwarami, 2017);

(3) In some cases, benefit from vertical integration of the marketplace, in terms of which they receive credit from their countrymen who are wholesale suppliers, while South Africans do not. These factors allow them to sustain price competition (the primary competition causing the demise of South African spazas) for much longer periods;

(4) Enjoy a location-based competitive advantage. An unavoidable consequence of the needs-based model for starting an enterprise is that traders have no choice but to use their home as their trading space. There is thus no latitude for choosing a location strategically, while the advent of entrepreneurially positioned spazas (whether foreign or not) in close proximity and in direct competition presents another unassailable competitive advantage. This concurs with Ames's (1983) contention that poor positioning is one of the top reasons why small businesses fail.

Local entrepreneurs thus suffer competition, not due to a lack of skills or knowledge on their part, but because of a lack of resources or through the happenstance of their geographical situation. One may therefore reasonably assume that local spazas that do survive entrepreneurial competition just happen to enjoy superior spatial residential and retail positioning. It must be noted also that the South African operators interviewed all started their businesses with far less start-up capital and longer ago than most foreign stores, but managed to grow their businesses – possibly due in part to a lack of severe competition at that time.

The data in part dispels the notion that South African spaza operators are unable to compete because they lack managerial skills, education or business know-how. Much of the data obtained balances the scales between South Africans and foreigners when it comes to these markers.

The answer to why, particularly, Bangladeshi shopkeepers are exceptionally competitive, may be found in their original circumstances. Several of these shopkeepers indicated during informal discussions that they came from semi-rural areas, just outside of urban centres, where the cost of living was much lower than in the cities. One may derive additional insight by comparing purchasing power parity indices (PPPI) of the various countries of origin of foreign spaza owners. This will provide insight into what US$1 in remittance is capable of purchasing in essential goods for the spaza owners hailing from other countries. Investopedia (2022) defines this concept as follows: “Purchasing power parity (PPP) is a popular metric used by macroeconomic analysts that compares different countries' currencies through a 'basket of goods' approach ... purchasing power parity (PPP) allows for economists to compare economic productivity and standards of living between countries". Traders coming from countries with superior or unequal (US Dollar) price parity (significantly lower costs of living) allows them to remit smaller amounts to support their dependents in their home country. This would of course be classified as a national demographic factor, rather than an age demographic factor. It also affects inter-foreign competition, with some foreign groups more likely to outcompete other foreign nationals, for instance (Question 23).

The final and most telling data challenging the notion that the inability to compete is based on a lack of will to compete or lack of trading ability on the part of South African spaza owners, is the survey of a middle-class Cape Town suburban CBD. Belgravia Road in Athlone was chosen because it represented a typical suburban CBD housing several formal, generational family-owned retail grocery stores situated in family-owned commercial buildings, some dating back to the establishment of the suburb. With the exception of a single store, none of these were now operated by locals. The survey showed that they were let out to Bangladeshi operators. The implication of this is that despite their long, established trading history, experience and ability as well as position of relative wealth and sophistication, these middle-class shopkeepers had all (bar one) been outcompeted by foreigners. This strengthens the veracity of our identification of powerful demographic forces enabling longer endurance in order to overcome competition, rather than business know-how or any conscious strategy. South Africans do not lack competitive drive but succumb to prolonged competition because of the factors described above. This corroborates Liederman's (2013) finding that a significant number of locally-owned spazas had closed down, even after 10 years of successful operation.

It is time to turn to the research questions addressed by the study:

Primary Research Question

> What are the unassailable competitive advantages enjoyed by foreign spaza owners allowing price competition resulting in the attrition of local ownership?

Secondary Research Question

> Are age demographics the only factor amongst foreign spaza traders that works to achieve this competitive advantage?

It has clearly been shown that, in response to the first question, price competition, although not a completely unassailable competitive advantage, is not easily mitigated since there is a limit to which it can be tolerated. This leads to the answer to the second question. To the factor mentioned must be added the factor of vertical integration of the market by certain foreign nationalities. In Delft, there is a Somali-owned wholesaler and in Mitchell's Plain, the majority of the smaller wholesalers are owned by Pakistanis and Bangladeshis. These wholesalers provide their countrymen exclusively with credit facilities. Although this might not be the case in every township, it represents a significant additional competitive advantage for foreign spaza operators in the area under investigation.

Nevertheless, the comparative demographic profile remains the principal factor in the competitive dominance of foreign operators in the township spaza marketplace. On all the other types of entrepreneurial success or failure factors listed in Chapter 2 (such as prior business experience, family experience in business ownership, education, etc.), the South Africans scored equally. Sustained, severe price competition is possible because of age demographics and the advantages that follow from it (such as a high probability of being single, with few or no dependants, the ability to live extremely frugally in cramped quarters and not incurring rental expenses) and coming from countries with superior or unequal (US Dollar) price parity (significantly lower costs of living), which allows for lower remittances if dependants need support in the home country. This of course would be classified as a national demographic factor, rather than an age demographic factor, affecting competition among foreigners as well. There is no existing research to which to refer or compare this argument.

Finally, despite the comparatively low capitalisation of locally-owned spazas, those which have survived the foreign influx and resulting competition show that, even despite their almost universal lack of trading experience and familial trading history, local start-up owners can learn entrepreneurial and trading skills by being responsive to market demands. Although they lack the predominantly coopetive Somali trading advantage, they do make use of informal "grapevine" social networks on WhatsApp and previously Mxit (a popular South African social media app now defunct) to inform fellow traders of wholesale specials and deals. Finally, within the retail world, the old maxim of "Position, Position, Position" still applies. Foreigners rent the properties from where they trade. This implies that they are able to make strategic decisions regarding the positioning of the business and when it no longer suits them, they can leave and find a better, more lucrative trading placement – an altogether more entrepreneurial approach. Local owners tend to have started businesses from their homes. Though this would ordinarily be regarded as a competitive advantage because of its decisive effect on profitability, if the positioning is not or is no longer advantageous, it could mean the demise of the concern, at worst, or reduced profitability, at best.

6.2 Recommendations

As a decisive factor in price competitiveness, demographics represent an unassailable competitive advantage as they constitute a factor that cannot be changed or mitigated. Educational endeavours and funding assistance for local spaza owners have only a limited utility, especially if price competition, bolstered by vertical integration in the marketplace that places foreigners at a perpetual advantage, is the order of the day. Ultimately, South African operators have to compete in the same space as foreign operators once the assistance is no longer available.

Future research should include wider-scale studies to map the extent of foreign involvement in the grocery trade in middle-class suburbs to confirm and compare the cursory observations reported here. The trend certainly seems identical in surrounding suburbs such as Lansdowne and Rylands and possibly every other residential suburb in the Western Cape. As far as Delft is concerned, the count surveys reveal increasing foreign-owned store proliferation rather than a stabilisation thereof since the findings reported by previous studies. This may not be of concern except that there have been continuing sporadic incidents of xenophobic township violence in other parts of the country which show a concerning trend – that despite previous attempts to quell this type of violence, the causes have most certainly not been adequately addressed. In this case, the remedy lies in policy decisions. The government needs to decide what is more important – the low pricing as a result of high levels of competition that – despite South African spazas closing – benefit the consumers (albeit temporarily) at the cost of xenophobic tensions; or the nurturing and maintenance of a trader class that can be seen as a development issue within the context of generating self-employment opportunities and the fostering of a self-sufficient trading mindset which did not have time to develop amongst Black and Coloured communities post-apartheid? Does the government deem an all-out entrepreneurial stance among competing supermarkets and foreign (and local) players in the townships to be more beneficial than maintaining and fostering local entrepreneurial development in an informal sector that is indispensable to job creation? Regardless of who the players are (foreign or local), at the level of traditional spaza (survivalist) entrepreneurship, the attrition of local spaza ownership in the townships can be seen as resulting from predatory free-market retail wars that entrench untrammelled entrepreneurial strategies as the order of the day. This is a path which, judging by current trends, will eventually destroy local spaza trading entirely. Perhaps the answer may lie in stipulating ratios for foreign spaza proliferation in the townships or protecting certain identifiable development-worthy sectors for the exclusive participation of South Africans, in line with international practices. The Philippines, for example, does not permit foreign equity in any single business having less than around R8 million in paid-up capital (The Foreign Investment Act of 1991). This clearly puts informal and micro-enterprises out of the ambit of foreign ownership. Such a step seems to be the only effective, last-resort measure that can be undertaken to arrest the decline of local participation in the spaza sector and revitalise it. The importance of the informal sector in generating employment and arresting poverty and inequality in South Africa is aptly summed up by Fourie (2019): “The informal sector, a significant segment of the economy that provides livelihoods, work and income for millions of workers and business owners, has largely been missing from economic analysis and policy discourse – not only in South Africa, but internationally”. He goes on to say that “researchers and commentators frequently view the informal sector as entirely survivalist in nature, its participants as being without aspirations or entrepreneurial skills, and having no meaningful role to play in generating employment or addressing poverty.” The fact is that ”governments should not only treat the informal economy as a safety cushion for the unemployed, but should also be proactive in ensuring that the safety cushion is protected against the vulnerabilities in the sector”. Fourie (2018) argues for recognising the informal sector as an integral component of the entire economy to enable “smart policy options”. The absence of the needed smart policy options is likely to increase poverty rates in sub-Saharan Africa and other developing nations to the levels observed by Diop and Asongu (2020).

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Appendices

Appendix A: Questionnaire (South African Spaza Owners)

Research Questionnaire

South Africans

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*All information is treated in the strictest confidentiality and is entirely voluntary *

Name of Shop: _________________________ Date: ________

Address : ______________ Township / Suburb: __________

Type of business: FMCG/Service/Other ___________________

Classification of Space: Commercial ☐ Informal/Residential ☐

==

1. For how many years did you trade here/ are you trading here?:
   1-3 ☐ 4-6 ☐ 7-10 ☐ 10+☐
2. Marital Status : Married ☐ Unmarried ☐
3. Age : 17-20 ☐ 21-24 ☐ 25-30 ☐ 30-40 ☐ 40-50 ☐
4. Gender : Male ☐ Female ☐
5. No. of dependants (excl. spouse/partner): ________
6. Level of education : Level of education: University/College ☐ High School ☐
   Primary School or Lower ☐
7. Did you have a Job prior to operating the Spaza?: Yes☐ No☐
8. Was anyone in your family a business owner prior to you?: Yes☐ No☐
9. Do you own this property?: Yes ☐ No ☐
10. Was it inherited or purchased?: ____________
11. If the property was rented out subsequently, was it rented out to: South Africans ☐ or
    to: Foreigners ☐?
12. Whilst operating the business did you / were you are you able to secure credit from
    Wholesale suppliers? : Yes ☐ No ☐
13. Why did you give up the business ?: Retirement ☐ Low profitability ☐
    Other (if so, please explain): ________________________________

14. With how much Capital did you start this business and when?

____

____

15. Who are your major competitors?

____

____

16. Who are the wholesale suppliers you frequent?

17. Comments:

Appendix B: Questionnaire (Foreign Spaza Owners)

Research Questionnaire

Foreigners

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*All information is treated with the strictest confidentiality and participation is entirely voluntary *

Name of Shop: ____________________ Date: _________

Address : ______________ Township / Suburb: __________

Type of business: FMCG/Service: ___________________

Classification of Space: Commerical ☐ Informal/Residential ☐

----

1. Country of Origin:
   Somalia☐ Bangaladesh☐ Ethiopia☐ Egypt☐ Zimbabwe☐ Malawi☐
   Other☐ _______
2. Age: 17-20 ☐ 21-24☐ 25-30☐ 30+☐
3. Gender: Male☐ Female☐
4. Marital Status : Married ☐ Single ☐ Divorced☐
5. Is your family here with you?: Yes ☐ No☐
6. Do you have any dependants back home?: Yes ☐ No ☐
7. If Yes to above, How many dependants do you have?: 1-3 ☐ 4- 6 ☐ 7 or more ☐
8. How long (in years) are you in South Africa?: 1-3☐ 4-6 ☐ 7-10 ☐ 10+ ☐
9. Residence Status : Migrant☐ Naturalised☐ Permanent Resident ☐ Refugee ☐
10. Level of education: University/College ☐ High School ☐
    Primary School or Lower ☐
11. What were you doing in your home country prior to coming to S.A.?:

    ----
12. Is anyone a business owner in your family?: Yes ☐ No ☐
13. Are you the owner of the business or employed: Owner ☐ Employee ☐

14. Did you start this business?: (i) From Scratch (Startup) (ii) Bought from another foreigner (iii) bought from a South African ☐ (If answer is (ii) then,
15. Which nationality did you buy the business from?: ___________________
16. Do you: **Own**☐ the premises or are you **Renting**☐?
17. How much Startup Capital did you use? R1000-R5000☐ R5001 -R10000☐ R10 000 – R20 000☐ R20 000+☐
18. If renting, them from which nationality? ____________
19. Do you have access to credit from your wholesale suppliers?: Yes☐ No☐
20. Which wholesale suppliers to you use ? _____________
21. Do you live: **ON** ☐the premises or **OFF** ☐premises?
22. Who are your main competitors? _______________________________
23. Who do you consider your toughest competition?
24. If you specifically chose South Africa as a Business Destination, why did you choose it over other destinations such as the UK, USA, Canada, Australia etc?:

____
____
____
____
____

Appendix C: Questionnaire (Wholesale Suppliers)

Wholesale Supplier Research Questionnaire

***All Information treated in strictest confidentiality and participation is entirely voluntary ***

Date : __________

Name of Supplier: ________________ **Situation:** _________________

Years of Operation: _______________ **Ownership Nationality:** _________________

---

1. What are the approximate ratios of Foreigner to Local spaza shop owners patronising your store?: __________________________
2. Do you offer customers a credit facility: Yes☐ No☐
3. Do you have a uniform pricing policy vis –a-vis :
- **Cash vs Credit** : Yes ☐ No☐ _______________ If "yes",
- (a) Then on what basis do you supply credit (Credit-
- Check ☐ Recommendation ☐ Family ☐ Friendship ☐ Kinship ☐
- Nationality ☐ Trust ☐
- **Bulk** / Very large quantities : Yes ☐ No ☐
- **Nationality**?: Yes ☐ No ☐
4. If "Yes" to previous question, do you issue credit selectively ?: Yes☐ No☐
5. If "Yes" to previous question, **what** is your selection criteria and why?: Race☐ Nationality☐ Size/Value of Purchase☐ Other __________ :
6. Give reasons for the answer in (5) above :

____

____

7. Is there a discernible difference in the buying quantities (ie, basket size of nationalities of spaza customers Local vs Foreign?: Yes ☐ No ☐
8. If you answered YES to the above, Who buys more?: Foreign ☐ Local ☐

____

____

9. Extra Notes or Comments:

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TO WHOM IT MAY CONCERN

This serves to confirm that the Master's thesis by Mohammed Sharif Loghdey, "The attrition of locally-owned spazas in a selected South African township," has been proofread and edited to my satisfaction for English idiom and correctness of expression. The References have been checked for accuracy against sources and cited according to the CPUT Harvard standard.

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