

**FACTORS AFFECTING GROWTH AND PROFITABILITY
OF SPAZA SHOPS IN EKURHULENI
METROPOLITAN MUNICIPALITY**

by

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Factors affecting growth and profitability of spaza shops in Ekurhuleni Metropolitan municipality

I declare that the above dissertation is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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I further declare that I have not previously submitted this work, or part of it, for examination at Unisa for another qualification or at any other higher educational institution.



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ABSTRACT

The study aimed to understand the factors affecting the growth and profitability of spaza shops in the Ekurhuleni Metropolitan Municipality (EMM). A qualitative, explorative approach was undertaken in the four selected locations of the East Rand Region of the EMM, namely Kwa-Thema, Tsakane, Daveyton and Duduza. Fifteen interviews were conducted using an online WhatsApp voice note communication methods during the Covid-19 lockdown period. The main findings were that the pricing of the products, not having enough stock, credit facilities offered to customers and competition from foreign national. A lack of attention to the factors leads to the continuous closure of South African-owned spaza shops. Any intervention to sustain the growth and profitability of spaza shop should include strategic pricing of products, keeping spaza shops fully stocked with variety of products that appeals to the customers, identifying prospective suppliers, not offering credit, attending business trainings, providing excellent customer service, and building a close working relationship between South African-owned spaza shops and foreign national-owned spaza shops.

Keywords: spaza shops, prices, credit facilities, survival entrepreneurs, foreign nationals, EMM.

LIST OF ABBREVIATIONS

EMM	Ekurhuleni Metropolitan Municipality
NSBA	National Small Business Act
GP	Gauteng Province
UNISA	University of South Africa
DTI	Department of trade and industry
MFRC	Micro-Finance Regulatory Council
SESE	Survey of employers and the self-employed
GDP	Gross Domestic Products
GEM	Global Entrepreneurship Agency
OECD	Organisation for Economic Co-operation and Development
SEDA	Small Enterprise Development Agency
SMMEs	Small, Medium, Micro-Enterprises
SIC	Standard Industrial Classification
ILO	International Labour Organisation
MFRC	Micro-Finance Regulatory Council

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION AND BACKGROUND

The informal sector is collectively defined as small, unregistered businesses which are operating as street vendors, such as home businesses established on residential sites, often termed spaza shops or tuckshops in South Africa (Ligthelm 2013:59). While forming part of the informal economy, informal retail trade dominates the informal sector and is estimated to contribute more than 70% of the total informal sector output (Rolfe, Woodward, Ligthelm & Guimaraes, 2010). In 2014 the Survey of Employers and the Self-Employed (SESE) estimated that the informal sector accounts for between 5% and 6% of the gross domestic product (GDP), while at the same time contributing 15.8% of the total employment of the country (Stats South Africa, 2014). Furthermore, an estimated number of 2,681,00 individuals worked in the informal sector as either workers or entrepreneurs between the first quarter of January and March 2017 (Stats SA, 2017).

The informal economy comprises unregistered workers and businesses which are not registered or incorporated, but which contribute to the country's economy (Stats South Africa, 2010). The informal sector contributes significantly into the informal economy by creating employment opportunities, sustain livelihoods and generating revenue for the entrepreneurs (Fourie, 2019). Entrepreneurs are subjected to long working hours under hard working conditions, and they generate low income on their business operations (Fourie, 2019).

Informal economic space and informal work dominates the African landscape with limited rewards for participants as a result of saturated markets and the absence of capital, skills and technology (Grant, 2010; Meagher, 2010; Turok, 2010). The undocumented immigrants more especially, asylum seekers and refugees have little choice of finding employment from the formal sector and resorted on creating their own employment in the informal sector (Crush, Chikanda, & Skinner, 2015).

The experienced immigrants opted to choose self-employment through utilising their knowledge and entrepreneurial skills rather than to be pushed into lower paid jobs (Copley, 2016). According to UNHCR (2020) by the end of 2019, 79.5 million of Individuals were forcefully expatriated around the world as a result of suffering, oppression, political violence and human rights violations. The informal employment in Africa accounts for 85.8% of all jobs (ILO, 2019). While 61.2% of global employment work informally and for all new jobs 78% are informal employment (ILO, 2020).

The informal sector is the least understood sector of South Africa's economy (Hadebe, 2010). Understanding the informal sector is significant in addressing the issues of unemployment, alleviating the level of poverty and inequality in the South African economy (Chen, 2017). Banjee and Dufloo (2011) observe that most informal businesses are established by business owners for survival. The informal sector significance also stems from being the basis of sustaining the livelihood to the previously disadvantaged communities with low level of education (Yelwa & Adams, 2017). The focus of the current study is on South African-owned spaza shops in the Ekurhuleni Metropolitan Municipality (EMM).

The EMM was established in 2000. It covers an extensive geographical area from Germiston in the West Rand region to Springs and Nigel in the East Rand region of Gauteng province in South Africa (Ekurhuleni Metropolitan Municipality, 2013). The EMM is also the former local administrator of nine towns in the East Rand region, namely Alberton, Boksburg, Edenvale / Lethabong, Germiston, Kempton Park / Thembisa, Nigel and Springs. This study focuses on the following four local townships: Daveyton local township in Benoni, Kwa-Thema township in Springs, Tsakane township in Brakpan, and Duduza township in Nigel. All of these townships are located in the East Rand region of Gauteng province in South Africa (Ekurhuleni Metropolitan Municipality, 2013).

The EMM's economy is larger and more diverse than that of many developing countries in Africa and it accounts for nearly a quarter of the Gauteng economy, contributing over a third of the national GDP (Ekurhuleni Metropolitan Municipality, 2013). This results in the movement of people from other parts of South Africa and other countries to find better living conditions and jobs in Gauteng province. The challenge this presents is evidenced by the number of informal settlement and informal

trading activities in the region (City of Ekurhuleni integrated development plan 2016–2021:8).

An average of 30% to 66% of the EMM's total population is aged between 18 and 64 years; 18% of that population is below the age of 18 years and 6% is above the age of 65 years. In terms of ethnicity, the majority (80%) of EMM's population is Black African followed by 14% White, 3% Coloured and 2% Indian ethnicity (City of Ekurhuleni integrated development plan, 2016–2021:20). Fifty-one per cent of the EMM population is male, while 41% of the population is female. The most frequently spoken languages in the EMM are IsiZulu (34%), Sepedi (12%), Sesotho (11%) and English (10%) (City of Ekurhuleni integrated development plan 2016–2021:8). The nationality of 95% of EMM residents is South African. Of these, 62% were born in Gauteng, 10% in Limpopo, 7% in Kwa-Zulu Natal, and 5% in the Eastern Cape, with the remaining 10% born elsewhere in the country. Only 5% of the total population was born in other countries (City of Ekurhuleni integrated development plan, 2016–2021:20). This gives evidence of the dynamic nature of those who live in the EMM.

The EMM employs 1.19 million people which is 23.92% of Gauteng's total employment of 4.9 million, and 7.71% of the total employment in South Africa (City of Ekurhuleni integrated development plan 2016–2021:32). In 2015, the number of formally employed people in the EMM came to 1.03 million, which is 86.71% of the EMM total employment, while the number of people employed in the informal sector tallied 158 000, which is 13.29% of the total employment. Informal employment in the EMM increased from 128 000 in 2005 to an estimated 158 000 in 2015 (City of Ekurhuleni integrated development plan 2016–2021:32). Bearing in mind the important role played by the informal sector in the South African economy, research is needed within this sector.

1.2 PROBLEM STATEMENT

The main problem researched in this study is that of the factors affecting the growth and profitability of spaza shops in the EMM. Spaza shops, particularly foreign-owned spaza shops, are outperforming South African-owned spaza shops to a very significant extent (Collocott, 2019). They have established effective distribution networks and

bargaining power by offering discounts (Liedeman, Charman, Piper & Petersen, 2013). The foreign-owned spaza shops are positioned with attractive painted boards and colourful buildings to attract customers, offer discounts, and stay well-stocked (Liedeman et al., 2013). However, South African spaza shop owners do not have large capital for start-up or for business expansion and it is difficult for spaza shop owners to obtain loans from the financial banking institutions (Nkaeleng, Ojo & Mbarika, 2015). The lack of growth of spaza shops arises from the lack of entrepreneurial skills and innovation from South African spaza shop owners (Asah, Fatoki & Rungani, 2015). As a result, South African-owned spaza shops are unable to sustain their spaza shops and compete effectively in the market. The current research study is undertaken to understand the challenges faced by South African-owned spaza shops to describe the business strategies used by shop owners to sustain their businesses. Failure to offer solutions and recommendations of the challenges faced by spaza shop owners will lead to continuous closure of the businesses and contribute negatively to alleviate poverty and create employment opportunities for business owners. The study offers recommendations which are within the capabilities of any business personnel who is willing to start the business and those who needs to sustain their current businesses. The study recommendations include the importance of pricing the products, maintaining the level of stock with variety of products, not offering credits to customers to maintain the operation of the business, offer the significance of working together, importance of stock taking the expiry of products to avoid, encourage business owners to attend any business trainings and learning how to deal with intense competition.

1.3 RESEARCH AIM

The aim of the study was to understand the factors that are affecting the growth and profitability of spaza shops in the EMM. The researcher wished to understand the experiences of spaza shop owners who have operated for five to ten years involving growth and profitability as well as limitations to their businesses. The aim of the research is to enable South Africa-own spaza shops and other informal businesses to compete effectively in the market through the effective pricing of their products, identifying of suitable suppliers at the lowers prices so they can generate profits for their businesses, their businesses should take advantage of government financial initiatives to assist business owners to grow their businesses formally and register

them, business owners should be able to create employment for them and their families so they alleviate poverty and sustain their livelihood through business operations. Their business should be able to apply for the loans from the reputable financial business institutions so to increase their financial muscles. They should be able to work together amongst themselves to formulate effective distribution network and be able to purchase their products in large quantity to receive discounts and promotions from the manufacturers and suppliers. South African-own spaza shop owners should be able to attend business skills training from educational institutions, government initiatives programmes and non-government entities. Enabling them to attain the business skills and utilise technological advancements and innovation to enable the business growth and profitability.

The main research objective of the study was to understand the factors that are affecting growth and profitability of spaza shops in the EMM.

The secondary objectives of the study were to:

1. understand the challenges faced by the spaza shop owners during their business operating periods;
2. describe the business strategies used by spaza shop owners during their business operations;
3. understand the spaza shop owners' perspectives on competitors; and
4. make recommendations on how spaza shops can mitigate the negative factors which are affecting growth, profitability and sustainability.

1.4 RESEARCH QUESTIONS

With these objectives in mind, the main research question was: What are the factors that are affecting growth and profitability of spaza shops in the EMM?

Accordingly, the research sub-questions were the following:

1. What are the challenges faced by the spaza shop owners during their business operating periods?
2. Which business strategies are used by the spaza shop owners during their business operations?

3. What are the attitudes of spaza shop owners towards their competitors?
4. How do spaza shop owners mitigate negative factors which are affecting growth, profitability and sustainability?

1.5 SIGNIFICANCE OF THE STUDY

It is important for spaza shop owners to understand the importance of their contributions to their townships and to know that they are not competing with a single entity but with multiples of small informal shops who form an invisible matrix in the economy (Alcock, 2016:2). In addition, increases in electricity tariffs, continuous loadshedding schedules, diesel and petrol, weakening of the South African rand, require other forms of investment in the South African economy. Therefore, the establishment and running of spaza shops helps to promote economic growth and also reduce unemployment in the previously disadvantaged local townships, Kwa-thema, Daveyton, Tsakane and Duduza (Perks, 2010; Sunter, 2006:23; Tripple, 2005:611). In particular, spaza shops play a significant role in the micro-enterprise sector in South Africa, dominating the retail landscape in local townships across the country (Fatoki & Oni, 2016).

1.6 LITERATURE REVIEW

Small, medium and micro-enterprises (SMMEs) are important not only because they create jobs but also because they create employment for the unskilled workforce – which happens to be overly abundant in the South African context (Phillip & Bartia-Panthaki, 2007). In addition, SMMEs worldwide are perceived as being important for income, growth and prosperity of individuals, the community and the economy (Katz & Green, 2012:14).

According to the Small Enterprise Development Agency (2016), the SMME sector contributed between 52% and 57% of the country's GDP in 2016. Consequently, the creation and sustainability of new SMMEs is vital to the economic prosperity of the county or else it risks an economy which is not developing (Fatoki & Garwe, 2010). Failure particularly in SMMEs' growth and sustainability results in failure in the national

economy, according to Zheng, O'Neill and Morrison, 2011:175-176). Therefore, SMMEs are regarded as the engine of economic growth; their establishment and growth help to increase the number of opportunities for developing entrepreneurs, these being driven by individuals and creativity (Ngek & Smit, 2013:7).

SMMEs provide more employment opportunities across Europe and have a large proportion of the market share in some countries (Coca-Stefaniek, Panker, & Rees, 2010). In 2003, SMMEs represented more than 99% of all retailing companies in Europe and were the second largest employer with a workforce of 16 million (Coca-Stefaniek et al., 2010). It is estimated that 70% of South Africans who start a business informally it is due to unemployment and a desire to eradicate poverty (Mahadea & Zogli, 2018). Micro-enterprise is established for survival as the owners do not possess the talent, skills or the appetite for risk needed to run formal businesses (Banjee & Dufloo, 2011). One example of a micro-enterprise is a spaza shop.

1.6.1 Spaza shops – definitions and importance

A spaza shop is defined as a business operating in a section of an occupied residential home or in any other structure like a shed in a formal or informal township which is zoned for residential purposes and where people live permanently (Ligthelm, 2008:38). Spaza shops, which began appearing in the mid-1970s, derive their name from the vernacular township slang word meaning an imitation of a real shop from the Zulu verb *Isiphazasma* (Jeeva, 2017:3). Spaza also means hindrance or annoyance, possibly referring to the way in which their shops were either viewed by privileged segments (Jeeva, 2017:3). A spaza shop is also described as a business activity that specialises in selling a limited variety of grocery products (Basardien, Parker, Bayat, Friedrich & Appoles, 2014:2). In addition, spaza shops play a significant role in the micro-enterprise sector in South Africa (Fatoki & Oni, 2016). They represent an important component of the informal trading sector within South African townships. Spaza shops offer residents convenient access to necessities in their neighbourhood (Charman, Petersen & Piper, 2012:1). According to Charman et al. (2012:78), spaza shops are described as home-based grocery shops which are particularly common in the local townships of South Africa. They account for 2.7% of the total retail trade, equivalent to approximately R8 billion in value (Ligthelm, 2005:202). South African spaza shop owners encounter obstacles related to human capital and the ability to

creativity and innovation in the absence of scarce or lack of resources, as the owners of the spaza shops find it difficult to achieve their goals and to create employment and generate growth and profitability for their spaza shops (Ngek & Smit, 2013:7).

In South Africa, spaza shop owners have some of the best commercial banking institutions and micro-financial lenders available, but finances are inaccessible owing to certain restrictions, including evidence of collateral security, which many of the South African spaza shop owners do not have (Worku, 2013:1).

1.6.2 Infrastructure

Infrastructure in townships is notoriously unreliable and affects the ability of any businesses to operate (Chebelyon-Delizu, Garbowitz, Hause & Thomas, 2010; Olawale & Garwe, 2010; Webb, Morris & Pillay, 2013). In addition, spaza shop owners do not possess the necessary business skills or expertise to be competitive (Cant & Wiid, 2013; Ligthelm, 2012; Woodward, Rolfe, Ligthelm & Guimaraes, 2011). Other factors which affect spaza shops are the location, access to customers and access to suppliers (Mariotti & Glackin, 2012:492).

1.6.3 High cost of transportation

Poor access to suppliers means that survivalist enterprises such as spaza shops generally must travel significant distances to purchase stock. In turn, they incur high costs in the process or pay higher prices for stock (Mahajan, 2014; Moloji, 2014). Usually, spaza shop owners make use of public transport and privately owned cars to transport purchases from wholesalers and other related suppliers (Kassim & Hendriks, 2002:35). Suppliers and wholesalers do not give spaza shops preferential treatment, credit, or allow them to negotiate cheap prices (Tladi & Miahbradt, 2003).

1.6.4 Lack of business capital

South African spaza shop owners do not have significant savings in their bank accounts for start-up capital or business expansion and it is very difficult for them to obtain loans from banking institutions or even from micro-finance institutions (Nkaelang, Ojo & Mbarika, 2015). As such, the lack of access to finance becomes a

major barrier for any business, whether big or small, and can lead to enterprise failure (Chebelyon-Dalizu, Garbowitz, Hause & Thomas, 2010; Fatoki & Odeyemi, 2010). In addition, in the townships, access to capital is almost non-existent especially access at an affordable, sustainable rate of return from the financial institutions (Fatoki & Odeyemi, 2010; Mahajan, 2014). On the other hand, foreign-owned spaza shops in South Africa are performing well. Foreign nationals are people from African countries who come to South Africa looking for jobs and better living conditions, owing to political uncertainty and wars in their countries. Consequently, it is easy to establish survivalist enterprises such as spaza shops in South African townships where the legal and formal requirements for starting small businesses are not restrictive and deregulated by the current government (Tengeh, Ballard & Slabbert, 2012).

Foreign-owned spaza shops are outperforming South African-owned spaza shops to a very significant extent (Liedeman et al., 2013). A large number of South African spaza shop owners have lost business to foreign nationals, owing to their dominance around the local townships. Hence, other spaza shops owners have decided to close their shops (Liedeman et al., 2013), or else rent out their businesses to foreign nationals. One of the biggest factors that contributes to the lack of growth and profitability of spaza shops is competition (Scarborough, 2011:99).

1.6.5 Competition

The biggest challenge faced by spaza shops in South Africa is to identify the competitive advantage that they should have over their competitors (Scarborough, 2011:99). A competitive advantage is made up of differentiating factors that drive customers to buy from a specific shop rather than from their competitors (Scarborough, 2011:99). Competition occurs when spaza shops are selling similar products to the same customers, which brings about a high level of competition from both foreign-owned spaza shops and shopping malls. The large retailers have a wide variety of products accompanied by added advantages for consumers to purchase at a lower price (Woodward, Rolfe, Ligthelm & Guimaraes, 2010:18). Consequently competition from large-scale retailers and foreign-owned spaza shops hinders the growth of spaza shops (Ligthelm, 2007; Van Scheers, 2010). In addition, immigrant-owned spaza shops, particularly those owned by Somalians, are outperforming South African owners to a very significant extent (Liedeman et al., 2013). In South Africa it is

easy to establish a survivalist enterprise such as a spaza shop in townships, where the legal and formal requirements for starting small businesses are not restrictive (Tengeh, Ballard & Slabbert, 2012). Foreign spaza shop owners add to the competition by having established effective distribution networks and bargaining power with suppliers of their goods (Liedeman et al., 2013). As a result, this strategy positions immigrant-owned spaza shops to attract customers away from South African spaza shop owners through offering discounts and always keeping shops well stocked (Liedeman et al., 2013:3). However, the spaza shops provide a method of survival, as a spaza shop will often be the South African shop owner's primary source of income and allows the owners to support other family members (Chabelyon-Dalizu, Garbowitz, Hause & Thomas, 2010:1).

Survival enterprises are created by individuals who are not able to secure a paid job or enter the economic sector of their choice. Therefore, no capital is invested in their start-up, and little to no skills training is required. For these reasons, spaza shop owners have very limited opportunities for growth into a viable regulated business (Falkena, Davel, Hawkins, Llewellyn, Luus, Masilela, Parr, Pienaar & Shaw, 2014). In turn, they do not possess the necessary business skill or experience to be competitive (Cant & Wiid, 2013; Ligthelm, 2012; Woodward, Rolfe, Ligthelm & Guimaraes, 2011). Spaza shop owners do not typically have access to the resources that help in the development and growth of their business, particularly the resources such as access to exploring the market in which they are operating, competent staff or skilled personnel to execute the job or any form of business advice or mentorship (Friedland, Merz & Van Rensburg, 2008).

1.6.6 Access to finance

The source of capital for survivalist enterprise owners comes from the savings of the owners and household members (62.6%), savings from relatives or friends (20%), retrenchment payments (17.1%), loans from formal institutions (1.8%) and other sources (2.7%) (Ligthelm, 2008:41). Survival enterprises tend to focus on one specific line of business, mainly groceries, which results in the duplication of spaza shops competing in the same market (Bowena, Morara & Mureithi, 2009:2). Such survivalist enterprises which are located closer to the shopping malls tend to experience a reduced profit compared with those which are further from shopping malls (Rolfe,

Woodward, Ligthelm & Guimaraes, 2010; Lokagne, 2000). Spaza shop owners need to be able to draw up a financial statement and other related documents. They also need skills in marketing, business, purchasing, the storage of stock, stock control, labour relations and customer care (Perks, 2010:448) Without such skills, the owners of the spaza shops become disadvantaged through failing to obtain financial support from the financial institutions who always insist on financial accountability in the form of well-documented accounting records (Fatoki, 2014:40).

The high level of crime is another factor which affects the growth of spaza shops in their daily operations (Van Scheers, 2016:6).

1.6.7 Crime

Township crime is forcing business owners to increase security measures on their premises. The business cost of crime and violence is one of the key obstacles to investment confidence in South Africa (Van Scheers, 2016:14). The serious problem of theft can occur from any source, such as professional criminals, suppliers, customers and employees stealing spaza shop stock, overnight robbery owing to lack of security, pickpockets stealing from the customers during cash transactions, and even when deliveries are being made during the day by suppliers (Charman et al., 2012). In townships, unemployment and poverty are the major causes of robbery, murder and other types of crime (Bear, Tladi, & Petro, 2004; Van Scheers, 2010; Tengeh (2016). Crime tends to have a negative impact on the growth and success of spaza shops in the township and that makes it very difficult to operate in dangerous areas with high crime rate (Cant & Wiind, 2013). The crimes are potentially robbing 24% of the South African GDP (GPI, 2018)

Spaza shop owners have all the potential to grow and create employment, yet the dominance of crime hampers the success of these businesses. Crime in townships is often cited as a major challenge for spaza shops and this acts as a major barrier to running a profitable business (Mthimkhulu & Aziakpono, 2015; Chebelyon-Dalizu, Garbowitz, Hause & Thomas, 2010; Ligthem, 2005). Spaza shop owners with limited resources also install inadequate security systems, with burglaries adding to the cost of running spaza shops (Van scheers, 2010:6).

1.6.8 Locations of spaza shops

The location of spaza shops and their visibility, access to customers, access to suppliers, conveniences of shops as a one-stop shop and the cost of renting, and government regulations, are all factors that are affecting growth and profitability of spaza shops in the townships (Mariotti & Glackin, 2012:492). Spaza shop owners do not have the ability to identify suitable locations (Mariotti & Glackin, 2012:491). Therefore, the location of spaza shops has a direct bearing on the marketing perspective and the prospective growth of the spaza shops (Fatoki and Garwe, 2010:731). However, there is a lack of business support from the government in the form of government programmes and initiatives, which are needed to stimulate assistance for spaza shops on job creation, businesses growth and sustainability (Mukwarami & Tengeh, 2017).

1.6.9 Consumers are driven by price

Pricing is a major influence on the purchasing decision especially on stable quality food such as bread, milk, eggs and maize meal (McEwan, Hughes & Bek, 2015). For spaza shops which operate in low-income townships where unemployment is high, customers are sensitive to prices. Because customers choose their regular staple goods based on price, they are willing to check prices in a number of possible shops before making a purchase (Mahajan, 2014). Regardless of spaza shop owners nationality pricing is important to customers (Piper & Yu, 2016).

Bearing all of these factors in mind, the present study focuses on spaza shop owners who have been in operation for five to ten years, in order to understand their daily challenges and limitation on running their spaza shops.

1.7 RESEARCH METHODOLOGY

Research methodology is divided into qualitative and quantitative research. Quantitative research is the collection of data in the form of numbers (Neuman, 2014). According to Leedy and Ormrod (2013), a quantitative method is defined as a research method that investigates phenomena based on numbers and measurable systems. Leedy and Ormrod (2013) define a qualitative method as an inquiry process that seeks

to understand social or human problems, based on a detailed view of informants; it is also conducted in a natural setting. A qualitative research method aims to acquire an in-depth understanding of human behaviour and the reasons for the occurrence of that behaviour. It falls under interpretive research, since its objective is not to generalise but to provide deep interpretation of the phenomenon (Cooper & Schindler, 2014). The current study adopts the qualitative research method, using an interpretivistic paradigm. Interpretivism is subjective, emphasising that human beings are different from physical phenomena because they create meanings and richer understanding of organisational realities focused on individuals, lived experiences and cultural artefacts (Sanders, Lewis & Thornhill, 2015). The research design in qualitative research focuses on describing, explaining and predicting a phenomenon (Sekaren & Boungie, 2010). For this reason, the form of data collected in qualitative research includes words and pictures (Neuman, 2014).

This study adopts the qualitative approach by describing and explaining the factors that are affecting the growth and profitability of informal spaza shops in the EMM, and by understanding the challenges and barriers which are affecting the businesses' performance.

1.8 RESEARCH DESIGN AND STRATEGIES

The three categories of research design are exploratory, descriptive and explanatory. Exploratory research is undertaken when the subject is very new, and very little to nothing is known about the phenomenon (Neuman, 2014). Descriptive research is undertaken when a researcher has a well-developed idea about a social phenomenon and wants to describe it (Neuman, 2014). Sanders, Lewis and Thornhill (2015) state that an explanatory study is deployed where the intent of the study is to explain the relationship between the variables. The current study adopted an exploratory research design in order to understand the phenomena and factors that are affecting the growth and profitability of spaza shops.

The research strategies used in qualitative research include experimental, survey (interviews or questionnaires), grounded theory, case studies and ethnography (Sanders, Lewis & Thornhill, 2015). The experimental strategy involves the

determination of whether causal links between the variables exist (Sanders, Lewis & Thornhill, 2015). Van Zyl (2014:198) describes survey as a research strategy which seeks to study the population by making use of survey interviews or questionnaire instruments, while ethnography is the strategy that seeks to explore cultural groups. Sanders, Lewis and Thornhill (2015) note that grounded theory is a research strategy that is used to “predict and explain behaviour” in order to develop or build theory. This study adopts a qualitative research strategy by conducting semi-structured interviews and making use of probing questions where clarity and explanation is needed.

1.9 POPULATION AND SAMPLING

A population refers to any group that is the subject of an aggregate or totality of all objects, subjects or members which conform to a set of specifications (Welman & Kruger, 2001:55). In addition, a population is the complete set of group members (Saunders & Lewis, 2012:132). Van Zyl (2014) defines a population as the total group of participants for research. The study will focus on spaza shops operating in the East Rand region, as this includes local townships namely, Kwa-Thema, Duduza, Tsakane and Daveyton.

A sample is defined as the subset of the research population and it is distinguished into probability sampling and non-probability sampling (Van Zyl, 2014:95–96). Probability sampling is used when the selection of the participants is determined by chance. Non-systematic and random rules determine the sample, and the possibility that the sample will truly represent the population is increased (Salkind, 2014:186).

1.9.1 Types of probability sampling

There are four probability sampling techniques, namely simple random sampling, stratified random sampling, systematic sampling and cluster sampling (Salkind, 2014:186). In simple random sampling, each member of the population has an equal and independent opportunity to be part of the sample. This is done by awarding “equal opportunity” to each member of the population. This means there is no bias that one member will be chosen rather than the other. In addition, each member of the population has an “independent opportunity” to be chosen, so that the choice of one

member of the population does not bias the researcher either for or against the choice of another (Salkind, 2014:186).

Stratified random sampling occurs when the population is composed of various clearly recognisable, non-overlapping sub-populations that differ from one another mutually in terms of the variables. The division into groups may be based on a single variable such as gender, so that there are two strata: male and female (Welman & Kruger, 2001:55). In stratified sampling, Terre Blance, Durrheim and Painter (2006:136–138) explain that the researcher divides a population into sub-populations or strata and random samples from each of these strata are selected. The number of items is predetermined. Systematic sampling results in every K name on the list being chosen, where K stands for a number between zero and the size of the sample that is to be selected (Salkind, 2014:190). Lastly, with cluster sampling the researcher divides the population into convenient groups and from there, any number of participants is selected from these groups (Salkind, 2014:192).

1.9.2 Types of non-probability sampling

Non-probability sampling is undertaken when the probability that any particular member of the population being chosen is unknown (Salkind, 2014:192). Non-probability sampling seems to be more absolute and subjective than probability sampling. Personal judgement plays an important role; members of the population do not have an equal and independent chance of being selected (Salkind, 2014:192).

There are four non-probability sampling techniques, namely convenient sampling, purposive or judgemental sampling, snowball sampling, and quota sampling (Salkind, 2014:192). Convenient sampling occurs when a participant or member is chosen based on availability (Salkind, 2014:192). Purposive or judgemental sampling occurs when the researcher selects participants based on the nature of the research or the judgement of the researcher (Babbie, 2013:166). The researcher is interested in a specific type of subject and in exercising expert judgement (Babbie, 2013).

Snowball sampling involves asking the participants in a target population to provide information about the members of that population whom they might know (Babbie, 2013:167). Finally, quota sampling is undertaken when participants are selected based on specific characteristics. Quota sampling often starts with a matrix or table

reflecting the characteristics of the target population. Once the matrix has been completed the sample is taken from people who have all the characteristics required (Babbie, 2013:167).

There is no comprehensive database of spaza shops in the East Rand region of the four townships which are the focus of the study (Kwa-Thema, Daveyton, Tsakane and Duduza). A non-probability purposive sampling technique was therefore found appropriate for this study, given that it is an exploratory study seeking to yield insights and an understanding of the phenomenon under study (Bloomberg & Volfe, 2012). The researcher interviewed the owners of spaza shops or any other person who was responsible for the daily operation of the business. The spaza shops in this study involved those who were selling groceries to the four local four townships in the East Rand region, excluding spaza shops which provided food take-aways and spaza shops selling alcohol.

The targeted sample for this study was spaza shops which had been operating for five to ten years, involving a minimum of 15 South-African-born participants operating in the East Rand selected townships. Guest, Bunce and Johnson (2006:79) advise that where the sample of the research consists of a group with relatively similar elements, 15 interviews should be adequate. Six participants interviewed from Kwa-Thema, five from Duduza, three from Tsakane, and one from Daveyton.

1.10 DATA COLLECTION

The data was collected by the researcher through semi-structured interviews using an interview guide. Semi-structured interviews allow room for probing questions to understand the phenomena being discussed during an interview session (Salkind, 2014:223). South Africa was on national lockdown level 5 and face to face interviews were not allowed. The researcher had to collect data from the participants through online communication because of covid-19 pandemic. Covid-19 virus restricted all normal activities, and the researcher followed all the covid-19 protocols for the safety of both participants and the researcher. The interviews were scheduled during the morning and in the afternoon depending on the availability of spaza shop owners. The researcher took advantage of language usage because the participants spoke the

same language as the researcher. The researcher dependent on verbal online communication, WhatsApp voice note to analyse the recorded conversation and to elicit the richness of the information from the participance interviews.

The interviews were conducted through online communication using WhatsApp voice notes. The researcher decided to use online WhatsApp voice notes as a method of communication as he established that participants owned smartphones and regularly used WhatsApp and Facebook as their main form of online communication. The researcher has transcribed all the recordings of the interview in a printed format after the completion of the interviews. The recordings of all WhatsApp voice note were kept safe, the transcriptions of the recordings into a printed format are kept as a backup of all interviews. The printed format documents were to assist with the data analysis process.

1.11 DATA ANALYSIS

The study adopted Creswell's (2014:196-200) approach for analysis of the data. This approach has the following steps:

1. *Prepare the data:* This refers to the transcribing of the interviews and the sorting and arranging of the data if different sources of information is used.
2. *Read and prepare data for analysis:* The researcher gets a general sense of the information and possibly its overall meaning, perhaps the researcher wants to write down general ideas about the data.
3. *Organise the data:* This is the process of organising the data into chunks of information and write a word that represent a categories or themes for analysis.
4. *Describe the setting or people and categories or themes for analysis:* The researcher gives detailed description of the settings, or the people involved as well as description of the categories or themes for analysis.
5. *Present the results:* Convey the findings of the analysis, a chronology of events, a detail discussion of several themes or a discussion of interconnecting themes (Creswell, 2014:196–200).

After the data collection process was concluded, the researcher prepared the raw data by formatting all the interview transcripts in a print format and printing all interview transcripts. The researcher read the transcript in detail in order to understand the context of the transcript. The process of categorising was followed when the researcher created and defined categories, followed by the process of checking for overlapping coding and uncoded texts. The researcher then revised categories to ensure that they were clear (Saldana, 2013:03).

According to Saldana (2013:03), coding is a systematic way to interpret data collected in a text format. The researcher labelled categories using words or phrases associated with the research questions and objectives. The categories consisted of factors affecting growth and profitability, challenges, limitations, strategies, competition, perceptions, mitigations, and sustainability. The researcher linked categories together which had relationships or similarities.

1.11.1 Reliability and validity of data

Reliability is a measure of the consistency or productivity of data collection using the same methodology on more than one occasion, across different, but related items, or by different individuals (Beins, 2013:130). Validity measurement indicates that the tools that the researcher is using measures what it must measure, when addressing validity, the researcher is addressing the results of the test and not the test itself (Salkind, 2014:173). The study provided the measures of trustworthiness, the proposed model of trustworthiness that addresses namely: credibility, transferability, dependability and confirmability (Thomas & Magilvy, 2011).

Credibility involves establishing that the results of qualitative research are credible or believable from the perspective of the participants in the research (Trochim & Donnetly, 2007:49). In addition, credibility refers to whether the findings reflect the reality of the participants (Thomas & Magilvy, 2011:153). To ensure the credibility of the study, a member's checking method was applied, transcriptions were shared with participants to verify their own versions to be able to correct, clarify, and to add information.

Transferability refers to the degree to which the results of a qualitative research can be generalised or transferred to other contexts or settings (Trochim & Donnetly,

2007:149), from one sample to another, or the extent to which findings are applicable to other participants (Thomas & Magilvy, 2011:153). Transferability in the study was established when the researcher providing sufficient detailed research context for the benefits of other scholars to determine the applicability of the findings to other known settings (Welman & Kruger, 2001;214; Denscombe, 2011:240).

Dependability is concerned with whether the same results can be obtained if the same study could be observed twice (Trochim & Donnetly, 2007:149). It occurs when another researcher can analyse the raw data and will come to the same conclusion (Thomas & Magilvy, 2011:153). To ensure dependability in the study, the researcher ensured that an audit of the entire study was properly documented, this includes the WhatsApp voice notes, transcriptions documents, research methods and decisions made in the study.

Finally, confirmability refers to the degree to which the results could be confirmed or corroborated by others (Trochim & Donnetly, 2007:149). It also refers to the freedom from bias in the research procedure and whether the results of the research could be informed by another study (Marshall & Rossman, 2011:253). Confirmability in the study confirms that the findings are influenced by the participants responses and not the researcher's analysis, interest or perceptions (Ang et al., 2016:1857; Moon et al., 2016:18).

In this study the credibility, transferability and dependability of the data were carefully considered.

1.11.2 Ethical considerations

Unisa's research ethics policy states that ethical clearance will be obtained before a research project can be conducted according to Unisa Procedures for master's & Doctoral degrees (Unisa, 2018). The researcher has been issued with an Ethical clearance prior to the commencement of the interviews.

The term ethics in research originated from the philosophical study of moral principles, it explains the code of conduct that determines how the research will be done. A code of ethics will provide guidance if there is uncertainty. Research should always aim to do good (beneficence) and not do harm (non-maleficence) (Unisa, 2016). Because face -to-face interviews were not permitted during lockdown, the researcher put the

protection of participants and himself first by deciding to conduct online interviews using the WhatsApp voice note facility. The researcher followed all of the Covid-19 protocols during interactions with the participants when delivering and collecting consent forms. The researcher maintained social distance, always wearing a mask covering both nose and mouth, washing hands regularly with soap and using a hand sanitiser with 70% alcohol.

1.11.2.1 The researcher's responsibility

The researcher is essential to the pursuit of knowledge and the public good, the researcher should be carried out for the benefits of society with the motive of maximising public interest and social justice. Researchers have the academic rights to academic freedom and freedom of scientific research; they should be competent and accountable. In addition, the research that could lead to unnecessary physical, social or psychological harm should not be undertaken (Unisa, 2016).

1.11.2.2 Informed consent

The informed consent forms must be completed by every human participant in a research project (Van Zyl, 2014:86–87) and in order to protect the participants it should contain at least the following information:

- The identity of the researcher
- The description of the research
- An indication of the duration of the participant's involvement
- Assurance that the participants may withdraw at any time
- Potential benefits of the study
- Assurance of confidentiality
- An undertaking by the researcher to make the results of the study available to participants
- Contact details of the researcher in case of questions

1.11.2.3 Privacy, anonymity, and confidentiality

All research participants have the rights to privacy to the extent permitted by the law, privacy includes autonomy over personal information, anonymity, confidentiality especially in the research deals with stigmatising, sensitivity, potentially damaging issues or information. When deciding on what information should be regarded as

private and confidential the participants on the matter should be respected and all the personal information and record provided by participants should remain confidential. In conclusion, when conducting interview, it should be made clear that confidentiality and anonymity will be safe guarded (Unisa, 2016).

1.11.2.4 Treatment of data

Researcher has ensured the protection of the intent of co-researchers and participants, including participants right to confidentiality when sharing and making public available data in any form. The data do not identify participants, and which are in the form of anonymous or abstract may be commonly shared and may be made public to the public. The researcher ensured that the relevant findings of the research would be taken back to the research participants or communities in a form and manner that they can understand, and which will not cause harm to them (Unisa, 2016).

1.12 LIMITATIONS OF THE STUDY

The limitation of the study relates to those conceptual/ methodological aspects of the study with the potential to render the study ineffective (Denscombe, 2012:62; Rubin & Rubin, 2012:99).

The study was conducted during the Covid-19 pandemic and the country was on lock down level 5. The researcher had to conduct interviews through an online WhatsApp voice note. The researcher was unable to conduct face to face interviews and observe non-verbal communication of the participants. Online communication for the elderly participants had a negative effect as they are not familiar with the online communication as it took long for them to respond promptly, and it affected the flow of communication. Some participants lost interest in participation especially female participants due to the formality of the interviews and signing of consent. The distance of the locations played a negative role in the study were some of the locations were far apart from each other and it took time and money to reach the participants for their response. Participants who did not have smart phones and WhatsApp applications were excluded from the study and potential participants were left out of the study. The study did not cover the whole of EMM black African locations and other outside provinces around South Africa and the findings could not reflect and represent the

whole of Black African locations in the EMM and around other provinces as only four locations in the East Rand region have been identified and selected. The findings of the study will be helpful to other EMM spaza shop owners and other surrounding provinces as the findings of the study reported on the importance of pricing the products, availability of product, credits facilities, and perception towards competitors, working together, acquiring of business skills and training as they are reported by the study as are factors that are affecting the growth and profitability of the spaza shops.

1.13 OUTLINE OF THE STUDY

The study is structured as follows:

Chapter 1: Introduction. In this chapter an introduction and background to the study is presented which includes problem statement, research purpose, research aim, research questions and research objectives.

Chapter 2: Literature review. The chapter concentrates on the SMMEs, spaza shops or survival enterprise and factors that are affecting growth and profitability of spaza shop in the EMM.

Chapter 3: Research methodology. The chapter explains the methods that were followed when conducting the research. Research strategies and research designs are discussed in more detail.

Chapter 4: Data analysis and discussion of findings. This chapter discusses the data analysis and the development of themes arising from the data, providing thick descriptions and verbatim extracts from interviews with respondents. The chapter further presents the study results and findings which highlight new information emerging, and the contribution to the body of knowledge.

Chapter 5: Conclusions, recommendations, and areas for further study. The chapter provides recommendations for improving spaza shops' growth and profitability, creation of employment, and alleviation of poverty. Areas which were not covered during the research period are recommended for further investigation. The following chapter deals with a review of the literature.

CHAPTER 2

UNDERSTANDING THE FACTORS AFFECTING SPAZA SHOP DAILY OPERATION

2.1 INTRODUCTION

Chapter 2 provides a literature review in different sections, covering the definition of small, medium, and micro-enterprises (SMMEs) and different categories, theories and approaches to the informal economy, the creation of spaza shops in South Africa and the definition of entrepreneurship in South Africa. The necessity of entrepreneurs and the impact of the apartheid regime on the creation of survival entrepreneurs, and the effect of poverty and unemployment on the creation of survivalist entrepreneurs are also explored in this chapter. Finally, the factors affecting spaza shop daily operations are discussed. These include lack of financial support, lack of access to market, location, lack of infrastructure, intense competition, high level of crime, supply chain distribution, and lack of business skills and training. This chapter addresses the following research objectives:

- I. Understand the challenges faced by the spaza shop owners during their business operating period;
- II. Describe the business strategies used by spaza shop owners during their business operations;
- III. Understand the spaza shop owners' perspective on competitors, and
- IV. Make recommendations on how spaza shops can mitigate the negative factors that are affecting growth, profitability, and sustainability.

2.1.1 Definition of small, medium, and micro-enterprises (SMMEs)

The development of the official South African definition of the small business began in 1995 in the White paper on a national strategy for the development and promotion of small business in South Africa (Department of Trade and Industry, 1995:8). The White

paper provides a broad classification of small businesses across four categories: survivalist enterprise, micro-enterprises, small businesses, and medium-sized businesses.

Survival enterprise and micro-enterprise are often grouped together (Department of Trade and Industry, 1995:8). The four categories are defined in detail as follows:

1. Survivalist enterprises are activities conducted by people who are unable to find a paid job or to get into an economic sector of their choice. The income generated is less than the minimum standard or the poverty line, with little capital invested and with no skills training required in the field of business. The market entry is low, and the business has very limited opportunities for growth into a viable registered business. Poverty and the need to provide basic substances are the main drivers for business establishment in this category (Department of Trade and Industry, 1995:9). The entrepreneurs do not employ anybody other than themselves this includes hawkers, waste pickers, street vendors and spaza shops. (Mbida, 2015).
2. Micro-enterprises are businesses that often have one owner, some family members, and at most one or two paid employees. The business usually lacks formality in terms of business licences or value-added tax registration. The business lacks formal business premises, operating permits and accounting procedures. Most of these businesses have a limited capital base and basic technical and business skills. Only a few micro-enterprises are feasible enough to advance into a small business (Department of trade and Industry, 1995:9).
3. Small businesses are the most established businesses. The businesses would usually be owner-managed or directly controlled by the owner. They are likely to conduct operations from a business premises or industrial premises; they are tax registered and have fulfilled other formal registration requirements (Department of Trade and Industry, 1995:10).
4. Medium enterprises are businesses in a category between medium-sized businesses and large businesses. They are businesses with strong capabilities, and they are usually owner/manager controlled. These businesses are often characterised by the decentralisation of power to an additional management layer (Department of Trade and Industry, 1995:10).

The distinction between SMMEs and other businesses provided by the White paper forms the official definition of the National Small Business Act of 1996 (NSB Act, 1996). The Act's definition specifies that small businesses are a separate and distinct business entity, including co-operating enterprises and non-governmental organisations which are managed by one owner or more. This includes businesses or subsidiaries if any is predominantly carried on in any sector or subsector of the economy which can be classified as a micro, very small, a small or medium enterprise (NSB Act, 1996).

The NSB Act further differentiates SMMEs by standard industrial classification sectors or subsectors and according to key indicators, including the total number of full-time paid employees, the annual total turnover in millions, and the total gross asset value (NSB Act, 1996).

Table 2.1 provides the sectors and sub-sectors in accordance with standard industrial classification. The sectors are differentiated into sizes or classes, number of employees, total annual turnover in millions and total gross asset value.

Table 2.1: SMMEs differentiated by standard industrial classification

Sector or sub-sector in accordance with standard industrial classification	Size or class	Number of full-time equivalents of paid employees	Total annual turnover	Total gross asset value (fixed property excluded)
		Fewer than:	Less than:	Less than:
Retail and Motor Trade and Repair Services	Medium	100	R30.00m	R5.00m
	Small	50	R15.00m	R2.50m
	Very small	10	R3.00m	R0.50m
	Micro	5	R0.15m	R0.10m
Wholesale Trade, Commercial and Allied Services	Medium	100	R50.00m	R8.00m
	Small	50	R25.00m	R4.00m
	Very small	10	R5.00m	R0.50m
	Micro	5	R0.15m	R0.10m
Catering, Accommodation, and other Trade	Medium	100	R10.00m	R2.00m
	Small	50	R5.00m	R1.00m
	Very small	10	R1.00m	R0.20m
	Micro	5	R0.15m	R0.10m
Transport, Storage and Communication	Medium	100	R20.00m	R5.00m
	Small	50	R10.00m	R2.50m
	Very small	10	R2.00m	R0.50m
	Micro	5	R0.15m	R0.10m

Finance and Business Services	Medium	100	R20.00m	R4.00m
	Small	50	R10.00m	R2.00m
	Very small	10	R2.00m	R0.40m
	Micro	5	R0.15m	R0.10m
Community, Social and Personal Services	Medium	100	R10.00m	R5.00m
	Small	50	R5.00m	R2.50m
	Very small	10	R1.00m	R0.50m
	Micro	5	R0.15m	R0.10m

Source: NSB Act (1996)

Two categories of business fall under the informal sector, namely survivalist enterprises and micro-enterprises. These are normally opened by individuals who, owing to a high level of unemployment, could not secure paid jobs in the sector of their choice in the formal economy. Further, they lack formal registration and have limited capital invested in the business, and the business owners lack business training. The business has a minimum of five full-time paid employees with an annual turnover of R150 000 (NSB Act, 1996:15). In turn, small businesses are formally registered; their business operations are likely to be conducted in the business premises or industrial premises. They have 5 to 50 employees and a total annual turnover of R15 million (NSB Act, 1996:15). Medium-sized enterprises also involve large business with large capabilities and advanced levels of technology. The business has between 100 and 200 full-time employees and a total annual turnover of R30 million with total gross assets value excluding fixed property of R5 million. (NSB Act, 1996:15).

The SMMEs are mostly affected by the macro-economic environment with uncontrollable political, economic, social, technological and environmental factors as well as some legal factors (Donga, 2016:62). The major external factors affecting the development and growth of small businesses are a lack of finance, competition, corrupt government policies, crime, and technology (Donga, 2016:62). The next section explores the theories of and approaches to the formulation of the informal economy.

2.2 THEORIES AND APPROACHES: THE INFORMAL ECONOMY

The informal sector refers to the production and employment that takes place in unincorporated small or unregistered businesses (Campbell, 2018). Informal sector

activities produce goods or services that are unregulated. The market lies in the provision of basic consumer services and goods to people in low-income categories in the production and employment in unregistered businesses (Kubone, 2019). Furthermore, the informal sector consists of individuals who conduct their activities in street trading, shebeens, spaza shops, general dealers, beauty salons, shoe repairs, builders and backyard manufacture. All of these activities are performed on a small scale that offers a group of customers a variety of products and basic services (Kubone, 2019).

The businesses are viewed as irregular work outside legal sanctions without state regulations of any sort and are regarded as a safety net for low-skilled people seeking to earn a living any way they can. The informal sector came into being because of a lack of adequate economic development (Blaauw, 2017). The International Labour Organisation (ILO) launched the informal economy concept in 2002 (Kubone, 2019). It views the informal sector as a way of doing things characterised by ease of entry, reliance on an indigenous resource, family ownership, small-scale production, and unregulated and competitive markets (Lerefolo, 2012). The ILO defines the informal economy as all economic activities by workers and economic units that are, in law or practice, not covered or insufficiently covered by formal arrangement (Kubone, 2019:3). Also, Campbell (2018) refers to the informal economy as all units, activities, and workers so defined and the output from them, that together they form the broad base of the workforce and the economy. The informal economy – as it has been variously called the "off the book", "undeclared", "shadow", "cash-in-hand", "hidden" or "black market" – is defined as the paid production and sale of goods and services that are legitimate in all respects besides the fact that they are unregistered or hidden from the state for tax and benefits purposes (Williams & Nadin, 2010:365). The business units are engaged in the production of goods and services with the primary aim of creating employment and income for the business owners (Williams & Nadin, 2010:365).

To understand the informal economy, it is important to describe how the creation of dualistic, structuralist, and legalistic concepts began and how these concepts have changed over time. There are three popular approaches to the study of the informal economy, namely the dualistic, structuralist, and legalist approach. The debates on

the size and definition of information regarding the informal economy are dominated by the schools of thought regarding their nature and composition.

2.2.1 Dualistic approach

The dualistic approach was popularised by the International Labour Organisation (ILO) in the 1970s, based on the (ILO) initial study of a developing country, conducted in Ghana Accra in 1972 (Moloi, 2014). The (ILO) subscribed to the notion that the informal economy is comprised of different marginal activities such as hawkers, spaza shops, general dealers, vendors, which are not related to the formal economy. The term “informal economy” was first used by Lewis (1954). Lewis viewed the informal economy as comprising petty trade activities on a small scale, with a range of casual jobs, part-time jobs, and temporary jobs that would be absorbed from the formal economy (Chen, 2012:2). Lewis (1954) predicted that the economic development in the developing countries would generate enough formal jobs to absorb labour from the informal economy. This would lead to a turning point when wages would begin to rise above the subsistence level and the formal economy would no longer absorb formal jobs. This is referred to as the “Lewis Turning Point” (Chen, 2012:2). The dualistic approach shares the view of Lewis (1954), arguing that the informal economy persists due to insufficient jobs within the formal economy to absorb surplus labour (Moloi, 2014).

The British anthropologist Hart (1973) was credited with the original use of the term “informal sector” (Sherifat, 2011:626). Hart (1971) managed to trace and identify the new income-generating activities in the informal sector from his study in Ghana. He put great emphasis on the significance of self-employment in the informal sector. Hart viewed the dualistic approach as a part of the urban force which works outside the formal sector as informal (Sherifat, 2011: 626). The dualistic approach argues that the existence of the informal sector is attributed to the unavailability of enough formal jobs and opportunities being created to take up the surplus of labour. The dualistic approach views the informal sector as independent or self-sufficient from the formal sector (Sherifat, 2011:626).

The second approach is termed a structural approach that acknowledges the co-existence between the formal sector and the informal sector and differs from the dualistic approach (Moloi, 2014).

2.2.2 Structural approach

Caroline Moser (1978) introduced the structural approach. The approach subscribes to the notion that the informal economy should be seen as subordinate economic units and workers who serve to reduce input and labour cost, thereby increasing the competitiveness of capitalist firms (Moloi, 2014). The structural approach (sometimes known as the Neo-Marxist approach) focuses on formal wage workers whose employers avoid labour legislation (Wilson, 2011); the wage workers are often subcontracted. Therefore, wage workers in informal jobs are workers without benefits or social protection who work for formal or informal businesses, such wage workers as participating in casual jobs, temporary or part-time jobs (Chen, 2007:2).

Informal workers are not protected by law and are vulnerable to various forms of abuse and exploitation (Blaauw, 2017:344). Informal employment is mostly marginalised by poor people (Moser, 1978). Therefore, informal employment advocates the need to generate more jobs in the formal sector in an attempt to prevent the exploitation of workers in the informal sector (Matsongoni & Mutambara, 2018:3). The structural approach is underpinned by the critical assumption which asserts that capitalists further their business and personal interests by exploiting poor people. (Chen, 2012).

The final of the three theoretical approaches is the legalist approach, which views the informal economy as a rational response to over-regulation in the formal economy (Blaauw, 2017:344).

2.2.3 Legalistic approach

The legalist approach is mostly connected with Hernando de Soto (1989) and his associates in the Peruvian Institute for Liberty and Democracy (Wilson, 2011). They asserted that the informal economy is a response to government regulations (Sherifat, 2011:627). De Soto published his essay on Latin America's informal sector in 1989. He noted that micro-enterprise is cumbersome and costly in terms of bureaucratic red-tape, lack of property rights, and difficulty gaining access to resources like finance and technology (Sherifat, 2011:627). De Soto also noted that governmental procedures, rules, and regulations were overcrowding and stifling micro-enterprises. The legalist approach points out that participating in the informal economy avoids the burden of

high taxes and strict regulations in the formal economy (Sherifat, 2011:627). The legalist approach views the informal economy as comprising micro-enterprises that choose to operate informally to avoid the costs, time, and efforts of formal registration (Sherifat, 2011:627). Informal economy entrepreneurs choose to participate in the informal sector because of a high level of flexibility concerning work schedules, while the other driving force for participants in the informal sector is ensuring that families have access to a substantial level of income (Matsongoni & Mutambara, 2018:3).

Legalistic approach also known as the Neoliberal era (Bromley & Wilson, 2018:9), pointed that the persistence of the informal economy is based on four major factors:

- I. The failure of the formal economy to expand and create full employment,
- II. The overall widening of the concept and advantages of formality,
- III. The formal economy's constant generation of temporary, casual and part-time jobs, and
- IV. The many casual labours and micro-enterprise opportunities that arise in society with widespread poverty, expanding professional and upper classes, and many people seeking a livelihood.

All four factors relate to the instability of labour markets from technological, environmental, and economic change. The informal sector provides income-generating employment opportunities, particularly for the unemployed in South Africa. The next section briefly discusses the creation of Spaza shops in South Africa.

2.3 CREATION OF THE SPAZA SHOP IN SOUTH AFRICA

Small grocery shops, tuck shops, or convenience stores are also referred to as spaza shops in South Africa. The name *spaza* derives from township slang, meaning an imitation of a real shop (Liedeman, Charman, Piper & Petersen, 2013:2). Furthermore, the term *spaza shop* is associated with the restrictions imposed by the apartheid government limiting the involvement of black people in business although there was enormous unemployment affecting the black population (Chipunza & Phalatsi, 2019: 2). Spaza shop activities form part of South African black history as they still present a form of current survival business (Ranyane, 2014).

These spaza shops were established within people's homes during the apartheid era to escape the authorities of the apartheid regime (Chipunza & Phalatsi, 2019:2). Spaza shops were also operated secretly as part of the survival entrepreneur strategies against the oppressive regulations of the apartheid regime and as a means of boycotting white-owned shops (Chipunza & Phalatsi, 2019:2). The spaza shops avoided using any promotional tools to avoid attention during the apartheid era. (Chipunza & Phalatsi, 2019:2). It was difficult for an outsider to locate hidden spaza shops owing to a lack of signage indicating their locations. The changes in the political climate in 1994 led to government-adopted policies that enabled free-market systems and the lifting of restrictions on informal businesses that resulted in the business owners no longer hiding their businesses.

The majority of spaza shops are unregistered and mostly do not adhere to municipal regulations (Chimpuzza & Phalatsi, 2019:2; Charman, Petersen & Piper, 2012). Some spaza shops are run as family businesses, with relatives involved in the business activities primarily selling food and various consumer goods (Rolfe et al., 2010:3). Spaza shop owners view their business as a way of making a living. They remain popular places to buy goods because transport is expensive for customers to leave the location to buy elsewhere. These shops offer residents convenient access to necessities within the neighbourhood (Charman, Petersen & Piper, 2012). Spaza shops also provide for the needs of residents who fear criminal elements and would rather buy small quantities from the spaza shop next door (Charman, Petersen & Piper 2012:78).

Spaza shops trade in items that can easily be acquired and are regularly in demand in the local communities. Most of the goods on offer are kept inside except for hazardous products such as paraffin (Chipunza & Phalatsi, 2019: 3). The main items sold by spaza shops are bread, milk, soap, cigarettes, eggs, maize meals and cold drinks (Basardien et al., 2018).

2.3.1 The definition of entrepreneurship

Tengeh and Mukwarami (2017) define entrepreneurship as an ability to combine resources to achieve the desired outcome. Entrepreneurship is recognised for its ability to stimulate economic growth, poverty alleviation and employment creation. Entrepreneurship is an engine which encourages economic growth, and its emergence

is usually accompanied by the creation of employment and the alleviation of poverty in both the formal and the informal sector (Tengeh & Mukwarami, 2017). Furthermore, entrepreneurship is the act of taking a business opportunity in the market and assembling the necessary resources to come up with a new venture creation, which can contribute to a country's economic growth (Justino, 2015). Finally, entrepreneurship can be defined as the creation of new ventures, creation of an exploited market opportunity where none existed previously, by one or more individuals. It is the ability to perceive and act on these opportunities (Lerefolo, 2012).

The entrepreneurship activities are performed by entrepreneurs. Entrepreneurs are individuals who are motivated to succeed, with a clear imagination and a strong sense of self-determination (Scheers, 2016:2). An entrepreneurship is a potential art that can pose the actions and the effects of diversification and growth in an economy, increasing employment, and alleviating poverty (Justino, 2015). An entrepreneur is someone who exhibits creative resolution and sets up their own business by confronting all the risks and challenges involved to obtain a financial reward (Justino, 2015). An entrepreneur possesses a drive for business creation and finds a gap in the market by assembling the necessary business licensing and permits, financial resources, equipment, human resources and sets up a business to fill the gap (Justino, 2015). An entrepreneur is somebody actively involved in starting a business or is the owner/manager of the business for less than 42 months (Williams, 2009:4).

The individuals have a range of abilities to be able to execute daily business operations by spotting an opportunity and using their beliefs and vision about market gaps to organise resources to achieve their business dreams, and who have created a niche market for themselves in the previously disadvantaged communities (Perks, 2010:448). Small, unregistered businesses were opened by individuals in disadvantaged communities due to survival and sustaining livelihood. Spaza shops dominated trade and commerce in the townships because of the legacy of apartheid in South Africa. Some South Africans turned to spaza shops because they were unable to find work in the formal economy (Fakoti & Oni, 2016:185). Individuals or spaza shop owners are termed entrepreneurs.

2.3.2 Necessity entrepreneurs in the informal sector

Tengeh and Mukwarami (2017) note that a necessity entrepreneur is a venturesome individual who stimulates economic progress by finding new and better ways of doing business. The individuals are people from the poorest community in South Africa and are driven by poverty and unemployment. The greater the poverty, the more necessity for entrepreneurs there is (Robert & Frank, 2018). Necessity entrepreneurs only make enough money to live, but not enough to invest in starting another business (Robert & Frank, 2018). Entrepreneurs are divided into two types, namely opportunity and necessity entrepreneurs.

2.3.3 Opportunity and necessity entrepreneurs

The concept of “opportunity and necessity” was first introduced by the Global Entrepreneurship Monitor (GEM) Report in 2001 (Kelley & Herrington, 2011). Since then, many GEM reports have widely discussed the concept. Opportunity entrepreneurs are those who start their business to pursue an opportunity in the market (Mukwarami, 2017). The opportunity entrepreneurs maintain that access to the resource is vital for enabling people to take advantage of entrepreneurship opportunities, which has a direct influence on the growth of new businesses (Mukwarami, 2017). The accessibility of resources such as finance has a strong influence on determining whether the new business will ultimately become sustainable. Individuals who are working, or those who are enrolled in schools or colleges, or those who are not actively seeking a job and seek to explore some business opportunities and are pulled into entrepreneurship, are defined as opportunity entrepreneurs, whereas necessity entrepreneurs are individuals who are initially unemployed before starting a business (Robert & Frank, 2018).

Necessity entrepreneurs are those individuals who are pushed by factors such as unemployment or dissatisfaction with their previous jobs (Ngek, 2014:255). Necessity-driven entrepreneurs are viewed as off-the-book entrepreneurs who are pushed into this reality by their inability to find legitimate work (Williams, 2009:206).

2.3.4 The formulation of survival entrepreneurs

Survival entrepreneurs are individuals who started their businesses by pressure necessity due to limited opportunities of choice in the formal sector. (Ranyane, 2014:

16). They are the individuals who depend on their businesses for survival. They predominantly operate in previously disadvantaged communities and depend on the little income they generate for their survival (Ranyane, 2014). They attempt to survive the poor living conditions which resulted in poverty and this seems to be the core motivation of these entrepreneurs to start their business as survival entrepreneurs (Ranyane, 2014).

A survivalist entrepreneur operating in a micro-enterprise does not grow beyond employing the owner or family. Therefore, they provide limited opportunities for employment (Ranyane, 2014). These entrepreneurs are unable to find a paid job or get into the formal economic sector of their choice. Sometimes they have no business skills and training in the particular field of business; they are forced into this type of business due to the poor socio-economic conditions in which they live (Ranyane, 2014). The survivalist entrepreneurs are located at the lowest spectrum of the South African SMMEs and receive minimal assistance from various government initiatives. The lack of support from various government initiatives creates a gap between the survivalist entrepreneurs and the rest of the SMMEs (Ranyane, 2014). The growth in numbers of survival entrepreneurs is stimulated by the shrinking formal employment sector. There is a decreasing number of survivalist entrepreneurs in South Africa. The rate indicated a decrease from 34.8% in 2011 to 28.2% in 2014 (Kelley & Herrington, 2011).

Survivalist enterprises are found in segments of the market characterised by low barriers to entry where competition is high, and the market is saturated. They emphasise selling on price rather than on product quality. (Lerefolo, 2012). South African spaza shop owners encounter obstacles related to human capital as they employ uneducated personnel, and the lack of skilful personnel who are business-minded results in difficulty achieving business goals and creating employment (Ngek & Smit, 2013). The failure of South African-owned spaza shops is high and many spaza shops have a short-term lifespan (Fatoki & Oni, 2016). Some spaza shops do not last more than three years (Ligthelm, 2012). Fifty per cent of the new entrants do not last longer than five years (Charman, Petersen & Piper, 2012: 5). The short lifespan of the South African spaza shop is the result of the previous apartheid regime and the impact of poverty and unemployment in the community.

2.3.5 Impact of the apartheid regime on the formation of survivalist entrepreneurs

Apartheid was a system of racial segregation enforced through legislation promulgated by the Afrikaans National Party government in 1948 to 1994 in South Africa. Apartheid ensured that the white minority government maintained control of the country's political, economic and military resources (Viljoen & Sekhampu, 2013). Apartheid policies were directed at the extraction of cheap labour and ensured social exclusion of the majority of the black communities (Maseko & Viljoen, 2013). The challenges facing survivalist entrepreneurs are rooted in the legacy of apartheid (Ranyane, 2014). Survival entrepreneurs have been left alone to create their own coping mechanisms to survive. They normally use an income-generated activity to sell products in their businesses (Brewer, 2012).

The education made available to disadvantaged communities as a result of the Bantu Education Act of 1953 ensured that most black people remained able to perform menial or unskilled work only, which mitigated severely against the development and acquisition of business skills (Mukwarami, 2017). Apartheid also influenced the quality of education, in which even the post-apartheid government fails to address the entrepreneurship needs of South Africans (Ranyane, 2014). South Africa endured nearly five decades of discriminatory legislation and practices which deprived most of these communities of opportunities for training and access to financial resources (Mukwarami, 2017). The apartheid policy denied black disadvantaged communities' extensive exposure to small businesses practices (Ranyane, 2014). The results of apartheid are still evident among these communities who continue to look to the government for assistance. Furthermore, survivalist entrepreneurs are mainly dominated by previously disadvantaged communities whose economic activities were severely constrained (Ranyane, 2014). These disadvantaged communities were limited as to where they should live and work, land ownership, trading hours, employment, access to capital, credit from suppliers, and availability of education and training (Ranyane, 2014).

The group of previously disadvantaged communities with fewer financial resources are regarded as "resource disadvantaged groups". The members of resource disadvantaged groups tend to respond to joblessness and limited employment of their

choice (Ranyane, 2014). Resource disadvantaged groups become small, unrecognised entrepreneurs who start businesses responding to inequality, high level of unemployment, and poverty (Ranyane, 2014:19).

2.3.6 Effect of poverty and unemployment on the formation of survivalist

The diversity of poverty means that it can be interrelated with issues of hunger, unemployment, exploitation, and lack of access to clean water, sanitation, healthcare, and schooling (Mbinda, 2015). Poverty is a failure to attain a minimum standard of living which is measured in terms of basic consumption needs and income. It is the minimum standard of living in terms of the upper poverty level, lower poverty line, and food poverty line (Scheers, 2010:164). Measuring poverty differs from country to country and will depend on the yardstick used by a country to assess the living standards of its people. Stats SA's (2011) report revealed that 70.4% of South Africans were living below the poverty line of R620.00 per person per month (Ranyane, 2014). Poverty occurs when individuals are unable to achieve the minimum capacity to gain fundamental freedoms, to and the freedom to obtain economic and social networking facilities (Sijabat, 2015). Poverty can be grouped into two categories:

- I. Poverty that occurs from limited ownership of the resources; and
- II. Poverty that occurs from the failure to obtain the fundamental freedom of life (Sijabat, 2015).

Poverty has been a political issue used by politicians to gather votes, as it relates to resource allocation and distribution (Ranyane, 2014).

South Africa has a narrow and a broad definition of unemployment (Ranyane, 2014). The narrow definition includes unemployed people who want to work and who are searching for work, while the broad definition refers to all unemployed people who report looking for work, but are not necessarily doing so (Ranyane, 2014). The motivation for establishing businesses for survivalist entrepreneurs is not to invest and grow their businesses, but to sustain their livelihood and survive (Ranyane, 2014:44). Survival entrepreneurs are also referred to as spaza shop owners who encounter obstacles and factors that are affecting their daily operations.

2.4 FACTORS AFFECTING SPAZA SHOP DAILY OPERATION

The literature review chapter provides factors affecting growth and profitability of spaza shops, taking into consideration the external uncontrollable factors such as crime, competition, lack of financial support, and lack of access to the business market. Internal controllable factors include business location, capital investment to the business, formal business training, and acquired business skills.

2.4.1 Lack of financial support

The difficulties of sourcing financial resources is affecting the growth and profitability of spaza shops negatively. Spaza shops require financial assistance for business start-ups or to grow the business, but a lack of finance can be a constraint on spaza shop growth (Fatoki and Garwe, 2011:731). Other finance may be accessed from the loans borrowed from either family or friends (Mbinda, 2015). The other payments may come from retrenchment and layoff from formal employment or by accessing external sources for finance such as commercial financial banks or microlenders (Mbinda, 2015). Owners of spaza shops are forced to approach the external financial institutions for assistance and support. They become disadvantaged in obtaining financial assistance from the financial banking institutions because of the lack of financial accountability of their businesses in the form of well-documented accounting records (Fatoki, 2014:40).

Spaza shop owners are also not able to obtain loans from financial banking institutions because of inadequate surety or collateral. They normally do not own the houses they reside in and do not have title deeds (Donga, 2016:62). The inability to produce a credit history regarding their business operations and cash transactions, and failure to draft proper business plans. Such plans would provide a good indication to the bank of how the business revenue or sales will be generated. Banks need to know if the loans will be reimbursed without any default (Donga, 2016:62). The lack of business skills required from spaza shop owners to produce a set of financial statements and managerial competencies, which include financial literacy, make it difficult for the banking institutions to offer financial support to spaza shop owners. (Donga, 2016:62). South African banks and microlenders are motivated to offer financial assistance to mature small businesses.

The government's lack of regulation of lending practices allows spaza shop owners to be subjected to unfair loan practices and dealings with microlenders who are charging high interest rates (Chebelyon-Dalizu, Garbowitz, 2010). To avoid unfair lending practices which are widespread, spaza shop owners are advised to be careful when borrowing money from micro lenders: According to Moloji (2014:24) spaza shops owners should take the following steps into considerations when I agreement with the micro lenders:

- I. Spaza shop owners should make sure that the lender is registered with the Micro Finance Regulatory Council (MFRC) and has valid documents.
- II. The lender must not retain personal documents of the borrower, such as identity documents and bank cards.
- III. Spaza shop owners must not borrow more than they can afford to repay.
- IV. They must not sign a contract that has blank spaces.
- V. They should demand a copy of the loan contract

Regarding the lack of financial support, spaza shop owners can either have access to finance at the prevailing market rate of interest or access to a subsidised or soft loan from microlenders. Subsidised rates may be helpful to the very poor spaza shops that can become impoverished by debt (Moloji, 2014:24).

2.4.2 Gender

The number of male business owners is high compared to female business owners (Ligthelm, 2005). Female business owners tend to own less complicated businesses in townships, such as crèches, tuckshops, shebeens, recycling, street traders, tailors, greengrocers, take-aways, health services, entertainment, and agriculture. Women trade in low value products such as fruits and vegetables which are spoilable done through street trading and hawking (Ngomane, 2020). They also participate in crafts such as knitting, brewing beer and barbershops (Mbida, 2015). Furthermore, women trade on the street due to high level of unemployment, millions of jobs are created by street trading, especially women as they are in the majority as compared to men (Ngomane, 2020). On the other hand, male business owners prefer business such as appliance repairs, building services, arts and crafts, business services, car wash, shebeens, braai meat, micro-manufacturing recycling, restaurants, shoe repairs,

street traders, trailers, greengrocers, transport services, wood and coal take-aways, mechanical shops, electrical businesses and plumbing (Ligthelm, 2005).

The factors that affect the growth of the spaza shops in terms of gender are that females tend to work in different types of businesses which are associated with lower levels of earnings than males. Males tend to have better tools of the trade, educational discrimination against females, and males often sell at a higher volume than females (Chen, 2007:4). South African women comprise of 52% of South African population, yet many South African women do not have business knowledge, business skills and training due to historical racial issues (Bhoola & Chetty, 2022). There are gender inequalities across all socio-economic and political indicators of development (Rolfe et al., 2010). Females have a general lack of support which is the result of negative prevailing socio-cultural attitudes, gender discrimination, and personal difficulties (Rolfe et al., 2010). Female shop owners face gender discrimination, they may have difficulty developing relationships with other spaza shop owners or suppliers who they want to purchase from. Many of the female spaza shop owners are also mothers and they must split their time between raising children and maintaining their shop.

Older females are more respected than younger females (Chebelyon-Dalizu, Garbowitz, 2010:16). Younger females are subjected to sexual harassment and are targeted more often by thieves. Lastly, female spaza shop owners lack education and business skills as they are heavily dependent on males (Ranyane, 2014).

2.4.3 Low barrier to market entry

The barrier to market entry refers to circumstances and conditions that restrict new entrance into a particular market, by reducing competition in that particular market (Ranyane, 2014). High labour ratio means the financial requirements for starting a new business are low (Fleur Le, Koor, Cheety, Ntshangase, MacKenzie & Rawoot, 2014:14). Spaza shop owners' barrier to entry is low, making it easy for the businesses to be established in that market. This leads to increased competition and the market becomes unattractive where the profit generated from the market is very low. New businesses are opening near long-existing businesses that result in overcrowded and tight competition (Ranyane, 2014).

Low barrier entrance creates a market in which a lack of business skills and low and limited financial resources are required to start the business. The market results in poor trading conditions. The spaza shops focus on price rather than product quality (Webb, Morris & Pillay, 2013), operating in low value-added activities with small profit margin returns (Ranyane, 2014).

2.4.4 Lack of access to markets

Poor market research by spaza shops is detrimental to business growth. The level of competition is tight and the spaza shop's lack of access to the market and inability to create a niche market affects the growth and profitability of the business (Seeletse, 2012:996). Spaza shop owners fail to understand their business market and their customers, which includes customers' buying habits and the reasons for spending their money; this affects the business negatively. Furthermore, Cant and Wiid (2013:707) argue that spaza shop owners should have a good market environment by knowing who are their customers, what they normally buy, how often they buy their groceries, and where and when they buy to meet their needs and demands. The other factor that is affecting the growth of spaza shops is a poor relationship with customers and suppliers.

Customers are the reason for business existence. Customer perceptions of pricing when they spend their money is a major influence on purchasing decisions, especially on staple quality food such as bread, milk, eggs, and maize meal (McEwan, Hughes & Bek, 2015). Spaza shops operate in low-income townships where unemployment and poverty are high and pricing matters most to consumers. The price sensitivity of customers means that they choose their regular staple foods based on price and would be willing to check prices in several possible shops before making a purchase (Mahajan, 2014). Price is important regardless of the sellers national identity as customers purchase where it is cheap and spaza shop owners should be knowledgeable about their market (Piper & Yu, 2016). The next section discusses the importance of business location, which affects the growth and profitability of spaza shops' daily operations.

2.4.5 Location

Spaza shops operate in residential houses where people live permanently. The shops operate from a back room, garage, or a shack. The premises are not up to expected standards of government regulations, although spaza shops are allowed to operate in residential stands (Donga, 2016:64). Some spaza shop owners own the premises, while others rent the premises or they operate from unauthorised premises, about which they constantly clash with local government authorities (Donga, 2016:64). The location of spaza shops has a direct influence on the marketing viewpoint and the potential growth of the spaza shops as most of them are not responsive to customer demand (Fatoki & Garwe, 2010:731). Spaza shops located on residential stands have a very low level of visibility and exposure to many customers; this is a result of lack of infrastructure (Mariotti & Glackin, 2012:492).

2.4.6 Lack of infrastructure

Lack of infrastructure is shown by the unavailability of land and space for spaza shops to operate at affordable prices for individuals who do not own the premises (Singer, 2014). The unreliability of electricity and water also affects the ability of any business to operate (Fatoki & Garwe, 2010). The rapid population growth in the previously disadvantaged communities exceeds the capacity of electricity supply from the national and local government authorities (Gaunt, Salida, Macferlene, Maboda, Reddy & Borchers, 2012). A lack of formal electrification encourages illegal connections and electricity theft from those who do not have access to electricity. However, although electricity supply is unreliable, residents rarely try to conserve electricity when it is available (Gaunt et al., 2012). Electrical appliances are often left running and unattended by the residents, while non-payment of electricity tariffs impacts negatively on the revenue of local electricity authorities (Gaunt et al., 2012).

The poor conditions of roads and running sewage affect spaza shops negatively, especially when it is raining, because customers cannot access the spaza shops owing to the lack of drainage. Access to water is a major necessity of life; it is essential for the economy and for personal well-being (Ojo, 2018). The right to sustainable water is the right that must be enjoyed by all citizens in South Africa. South Africa is a dry country and has often been prone to water scarcity. Ojo (2018) explains that water scarcity is caused by the following factors:

- I. Poor service delivery in terms of water distribution;
- II. Environmental change;
- III. Disputes over scarce water resources;
- IV. Insufficient rainfall; and
- V. Excessive drought periods (Ojo, 2018:10).

Spaza shop customers are served over a counter or through a window as the merchandise is displayed for customers to choose from. The selling price of the merchandise is either on the item or on the shelves (Mariotti & Glackin, 2012:492). The unavailability of safe parking and driveways approaching the spaza shop is a fundamental facet of the business. Having a safe environment with security and cleanliness of the business when customers make purchases around their neighbourhood are lucrative considerations for spaza shop customers (Fatoki & Garwe, 2010).

Spaza shop owners are affected by limited operation space and suitable business structure when operating their businesses (Mbinda, 2015). The amount of stock to be purchased by spaza shop owners is determined by the availability of space on the spaza shop premises (Mbinda, 2015).

Spaza shops are generally run from home and as a result, they operate from a limited trading space. Limited trading space also means limited storage facilities (Moloi, 2014). The trading space makes it difficult to stock in bulk and most of the spaza shops also lack infrastructure such as shelving and chest freezers. Limited trading space limits the display of the variety of merchandise (Moloi, 2014). The other major factor that contributes to the lack of growth and profitability of spaza shops is the high level of intense competition (Scarborough, 2011:99).

2.4.7 Intense competition

Spaza shops are operating in the market where the barrier to entry is low and competition is very intense. Spaza shop owners are unable to be differentiated. Spaza shops tend to capture a very low and unprofitable market share. The biggest challenge faced by spaza shops in South Africa is to identify the competitive advantage that they should have over their competitors (Scarborough, 2011:99). A competitive advantage is made up of differentiating factors that drive customers to buy from a specific shop

rather than from their competitors (Scarborough, 2011:99). The intense level of competition between spaza shops and large retail traders have a major negative effect on the sustainability and growth of spaza shops (Strydom, 2015:466).

The large retail traders bring a wide variety of goods and services accompanied by added advantages for consumers to purchase at a lower price (Rolfe et al., 2010:18). The large retailers that are operating around the local townships are Spar, Checkers, Shoprite, Pick 'n Pay, Boxer, and U Save. These large retailers affect both township spaza shops and foreign national spaza shops (Rolfe et al., 2010:8).

Foreign national spaza shop owners have established effective distribution networks and bargaining power in negotiating discounts from their suppliers (Tengeh & Mukwarami, 2017:64). The foreign spaza shop owners have managed to receive more favourable terms and negotiations from their suppliers by obtaining goods at a lower cost due to bargaining for purchases. The foreign national spaza shops are owned by shareholding agreements or by a single individual with several stores at strategic locations (Tengeh & Mukwarami, 2017:64). Shops owned by foreign nationals have positioned their businesses to compete directly with established South African spaza shops. They use price discounting as a strategy to capture the market share from the existing South African spaza shops and manage to offer goods at a lower price (Tengeh & Mukwarami, 2017:64). The foreign national's shops are better stocked and appear to be favoured by township consumers. The owners of foreign spaza shops seem to have outperformed the South African spaza shop owners regarding their business operation (Tengeh & Mukwarami, 2017:64).

The wholesalers and suppliers are often not willing to give South African spaza shop owners favourable terms and negotiations because they do not buy in bulk as they purchase their stock as private individuals. Therefore, South Africa spaza shop owners are forced to sell their goods at a higher price so they can make a profit (Tengeh & Mukwarami, 2017:64). If spaza shops were to work together and approach suppliers as a co-operative, suppliers may be willing to offer favourable terms and negotiations to the South African spaza shops when they purchase their goods (Chebelyon-Dalizu, Garbowitz, 2010). A high level of crime is the other factor that negatively affects the spaza shop's growth and profitability.

2.4.8 High level of crime

The high level of crime is the major cause of spaza shop robbery and murder (Scheers, 2010). There is a link between crime, poverty, unemployment, and inequality (Mbinda, 2015). This kind of crime is forcing spaza shop owners to increase security measures on their premises. However, some spaza shop owners with limited financial resources are unable to increase security measures since a security system with burglaries adds to the cost of running the business (Scheers, 2010).

The lack of safety and protection on the business premises becomes problematic as all transactions take place using cash (Mariotti & Glackin, 2012:492). For this reason, spaza shop owners become easy targets since robbers are fairly confident that a spaza shop will have cash on the premises when approaching the business for robbery (Chebelyon-Dalizu, Garbowitz, 2010). This type of crime includes robbery, break-ins, and vandalism (Ladzani, 2011:554). When a spaza shop is attacked by criminals it can affect the business so severely that it is unable to continue to operate, or the business is left with massive debts and liabilities (Mboyane & Ladzani, 2011). The use of counterfeit notes also affects the business negatively as spaza shop owners do not have mechanisms for checking the validity of notes, nor do they have knowledge of how to check the security features on the notes (Mboyane & Ladzani, 2011). Poverty, unemployment, and inequality have led to highly differentiated types of crimes in spaza shops. Types of external crimes committed against spaza shops are robbery, burglary, shoplifting, counterfeiting, piracy, and money laundering. Internal crimes committed against spaza shops are theft, embezzlement, fraud, customer identity theft and sabotage (Bressler, 2009).

2.4.9 Supply chain distribution

The lack of a consistent distribution system for getting the goods from the suppliers to the spaza shop is another factor that impacts on the growth of the spaza shops. Spaza shop owners lack a cost-effective transportation network (Tengeh & Mukwarami, 2017). Poor access to suppliers means that spaza shop owners must either make use of public transport or privately owned cars to transport purchased stock from their suppliers to the shop (Moloi, 2014).

The rising cost of petrol affects spaza shop owners' transportation costs when they are obliged to travel a significant distance (Mahajan, 2014). The spaza shop owners must also close their shops when purchasing stock; this affects the business operation (Moloi, 2014). Spaza shop owners can only bring back as much as they can carry, because of a lack of trading space or being vulnerable to crime while they are travelling back and forth to their shops with cash (Chebelyon-Dalizu, Garbowitz, 2010). Because spaza shop owners buy stock in small quantities, an out of stock situation requires that the spaza shop owners should buy their stock frequently (Perks, 2010).

Spaza shop owners have very little direct relationship with the suppliers, who are usually manufacturers of the product, wholesalers, retailers, and private personal sellers (Charman, Petersen & Piper, 2012). The lack of relationship with suppliers is indicated by the way in which spaza shop owners purchase their stock. They normally shop in small quantities from a mixture of different suppliers (Charman et al., 2012). The last factor that affects the growth and profitability of spaza shops is the inability of spaza shop owners to obtain formal business training so that they can attain and apply effective business skills.

2.4.10 Lack of business skills and training

Spaza shops are created quickly, without preparation and entrepreneurial dynamics (Chebelyon-Dalizu, Garbowitz, 2010). The spaza shops are opened by necessity by entrepreneurs who are forced to do business owing to unemployment and poverty (Charman et al., 2012). Spaza shop owners do not have formal training for the business type they select, and they do not believe that training will benefit the business as they do not have time or money for expensive skills training (Charman et al., 2012). This includes cost of transportation to attend a training centre, cost of tuition fees, and textbooks. Instead, spaza shop owners would rather continue with their business operation (Chebelyon-Dalizu, Garbowitz, 2010), leading to a lack of educational achievement and management abilities and skills from spaza shop owners.

Management competencies are a set of knowledge, skills, behaviours, and attitudes that contribute to personal effectiveness (Fatoki & Garwe, 2010). Management competencies are very important to the survival and growth of spaza shops. The lack of managerial experience and skills are the main reasons for business failure. Spaza shop owners lack the necessary business skills (Mbinda, 2015). Business skills

training refers to formal training which covers all aspects of predictable management (Mbinda, 2015). Moloji (2014) states that one of the crucial problems relating to business skills training is a lack of managing cash flow in making and receiving payments. Spaza shop owners should have a system to maximise cash flow and manage information accurately. Spaza shop owners do not have the required business skills (Hare, 2017), owing to the history and background of the educational system in South Africa and a lack of educational opportunities (Donga, 2016:62). Educational opportunities entail empowering entrepreneurs with knowledge, education, and training. Entrepreneurs' training is defined as the determined obligation of an educator in the life of a person who takes entrepreneurial qualities and education to promote entrepreneurial individuality and skills (Mbinda, 2015).

2.5 SUMMARY

As a conceptual framework, the literature review chapter describes informal economy as all activities used to produce goods and services that are unregistered and hardly fit into any of the known economic categories. The chapter provided the theories and approaches regarding the creation of the informal economy and identified spaza shops as belonging under a dualistic approach. The dualistic approach views the informal sector as independent or self-sufficient and as a part of the urban force that work outside the formal sector (Sherifat, 2011). The dualistic approach views the informal sector as comprising activities such as hawkers, spaza shops, general dealers, vendors and street hawkers.

The chapter discussed SMMEs and their categories in detail. The spaza shop belongs in the category of micro-enterprises and survivalist enterprises which are grouped together by the definition of National Small Business Act of 1996. Survival enterprises are conducted by people who are unable to find paid work or get into an economic sector of their choice. The income generated by the business is less than the minimum standard of living. The business is operated by the owner, family members or fewer than five paid employees. Spaza shops offer residents convenient access to necessary groceries in the neighbourhood. Spaza shops are businesses which operate in people's houses or backyards, selling groceries such as bread, cold drinks,

sweets, eggs, and maize meal. The present study focuses on established businesses which have existed for five years or more.

The chapter explored factors that are affecting the growth and profitability of spaza shops' daily operation, namely lack of finance, gender, low barriers to market entry, location, lack of infrastructure, intense competition, high level of crime, supply chain distribution, and lack of business skills and training.

The next chapter will focus on research methodology which refers to systems of beliefs and assumptions about the development of knowledge. This is followed by research design, which involves the plan for the collection, measurement and analysis of the data. In conclusion, the techniques and procedures of the data collection, analysis and interpretation will be presented.

CHAPTER 3

RESEARCH METHODOLOGY AND DESIGN

3.1 INTRODUCTION

The research methodology and design chapter explain the assumptions and beliefs which support the research paradigm, research philosophy and research methods used in this study. Three components of the research paradigm, namely ontology, epistemology, and methodology are described and explorative, descriptive and explanatory approaches to the research design are also discussed.

After examining the differences between quantitative and qualitative approaches to the methodology, reasons for adopting a qualitative research strategy are offered. The last section of this chapter details the research techniques and procedures which were used in the study to collect, analyse and interpret the data. Ethical considerations and limitations of the study are briefly outlined.

Figure 3.1 below presents a research methodology and design road map which outlines the main types of research. The research paradigm comprises ontology and epistemology paradigms. The ontology paradigm determines how researchers see the world, either objectively or subjectively, whereas the epistemology paradigm determines the way in which researchers receive information from the participants. The information can be received through separation from the participants in a form of positivism or the information can be received through interaction with participants in an interpretivist manner.

The next section of the road map (Figure 3.1) highlights the way that research data is gathered. Data is gathered systematically using either qualitative or quantitative methods.

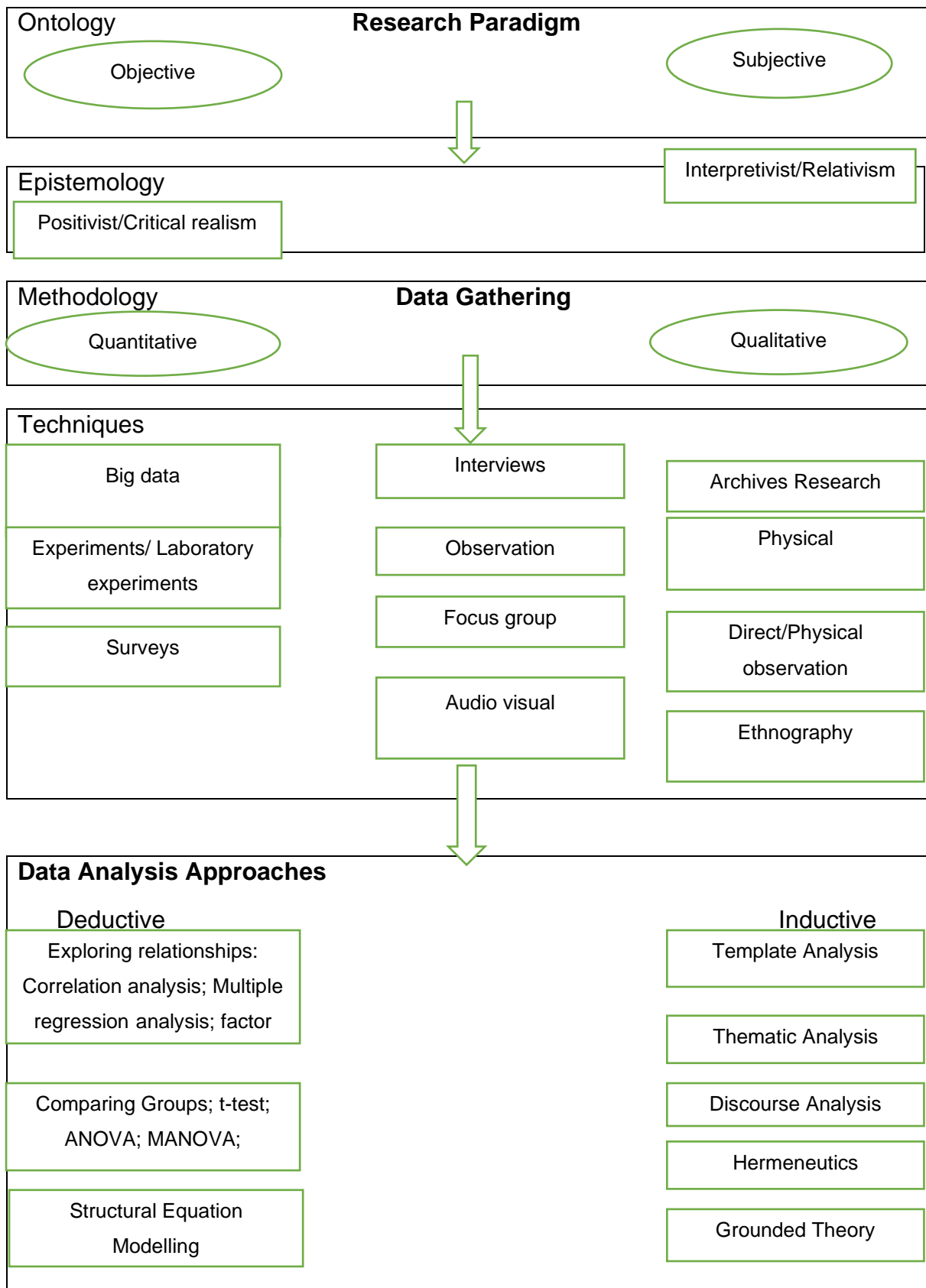


Figure 3.1: Research methodology and design road map

Source: O’Gorman and MacIntosh (2016:60)

Data collection techniques can be in the form of extensive data collection using methods such as surveys, big data collection and laboratory experiments. Alternatively, data collection for small sample sizes can be in the form of interviews, focus groups, observation or using audio visual methods.

The last section highlighted in the method road map is data analysis, which follows data collection and can take the form of deductive or inductive analysis.

3.2 RESEARCH PARADIGM

Research is guided by a set of beliefs and assumptions known as a paradigm (Pessu, 2019: 38). A researcher works within a particular paradigm when examining the research participants, from which the knowledge and insights will be obtained (Pessu, 2019: 38). Examples of these belief systems and theoretical frameworks with assumptions are ontology, epistemology, methodology and methods (Rehman & Alharthi, 2016: 2).

Research paradigm components include beliefs and assumptions about the nature of reality one encounters in research (ontological assumptions), beliefs and assumptions about developing of knowledge (epistemological assumptions) and beliefs and assumptions about one's values and the extent to which they influence the research process (axiological assumptions) (Saunders, Lewis & Thornhill, 2016).

Ontology views the way in which researchers look at the nature of reality, which can be defined as either objective or subjective by the researchers.

3.2.1 Ontological assumptions

Ontology refers to beliefs and assumptions about the nature of reality (McGuire, 1982: 9). Ontological assumptions are based on the notion that one's views are either claims or assumptions based on the nature of reality. These beliefs and assumptions are either subjective from the viewpoint of social participants, or they are objective in terms of natural science (Danson & Richards, 2018: 51).

3.2.1.1 Objective research

Objectivity in research refers to beliefs and assumptions about the nature of reality as being external to oneself and to others. Such research views the natural science reality as existing independently (Saunders et al., 2016).

Objectivism seeks to discover the truth about the social world, through the medium of observable, measurable facts from which law-like generalisations can be obtained about the universal social reality (Saunders et al., 2016). This approach explains that social entities exist in reality external to social actors, while subjectivism emphasises that social phenomena originate from the perception and consequent actions of social actors (Pessu, 2019: 38).

3.2.1.2 Subjective research

Subjectivist researchers are interested in different opinions and narratives that can help to account for the different social realities of different social actions. The researchers believe that as they actively use this data, they cannot detach themselves from their own values (Saunders et al., 2016). Subjectivism includes assumptions from the arts and humanities proclaiming that social reality is made from the perceptions and experiences of social participants (Saunders et al., 2016).

In this study, subjective research was adopted as it aims to understand the nature of reality through examining the feelings, attitudes, lived experiences and perceptions of spaza shop owners. The study aims to understand the factors that are affecting the growth and profitability of spaza shops. This has been achieved through interaction with the spaza shop owners. Objective research distances itself from the participants and is therefore considered not suitable for this study.

The next section discusses the second component of the research paradigm: research philosophy.

3.2.2 Research philosophy

Research philosophy is a system of beliefs and assumptions about the development of knowledge. It is described as a theoretical idea that systematically provides new insights into the nature and development of knowledge (Saunders et al., 2016:124).

Researchers need to understand the grounds of knowledge, especially with reference to the trustworthiness and scope of the knowledge that they obtain (Myers, 2013:36). Denzin and Lincoln (2011:104) view research philosophy as the scholarly perspective that underpins knowledge development and the nature of that knowledge concerning research. Epistemological assumptions are considered to be the second research philosophy.

3.2.3 Epistemological assumptions

McGuire (1982) defines epistemology as the study of knowledge and of what affects the way in which knowledge is obtained. Epistemological assumptions concerns human knowledge, how humans know what they say they know, what constitutes, valid and legitimate knowledge, how humans can communicate knowledge to fellow human beings and the realities encountered by humans in their research (Saunders et al., 2016).

Natural science knowledge involves numeric data, textual data, visual and factual data, and narrative stories leading to the interpret raw data (Saunders et al., 2016). On the other hand, social science knowledge arises from researchers trying to get as close as possible to the participants being studied. Social science knowledge is known and developed through the lived experiences and involvement of participants (Kaushik & Walsh, 2019).

The way in which researchers perceive reality influences how they believe knowledge is gained, and influences the process of obtaining that knowledge as a researcher. There are several research paradigms in research methodology, each of which is explained below.

3.2.4 Five major research philosophies

The major research philosophies which are commonly used by researchers are positivism, critical realism, interpretivism, postmodernism, and pragmatism. Positivist and critical realist researchers assume that reality exists independently of humans and see reality objectively. On the other hand, interpretivist and action researchers try to understand the social phenomena they interact with; they see reality subjectively.

3.2.4.1 Positivism

Positivism relates to a philosophical stance and entails working with an observable social reality to produce law-like generalisations, based on the idea that the truth can only be studied through natural science (Saunders et al., 2016:136). Positivist research claims that the social world can be understood in an objective way. They dissociate themselves from their personal values and work independently (Andriukaitiene, Vveinhart & Zukauskas, 2013). Criticism of the positivist paradigm led to the emergence of post-positivism, which is critical realism.

3.2.4.2 Critical realism

Two types of realism share similar features of positivism, namely empirical realism and critical realism (Rehman & Alharthi, 2016: 4). Empirical realism argues that reality can be understood using right methods, from this perspective, reality exists, but only as events and appearances. Critical realism proposes that humans experience sensations of images and things going on in the real world and not the things directly (Rehman & Alharthi, 2016: 4). In this way, reality is seen as external and independent. It is illusion; therefore, what is experienced are sensations which are representative of what is real (Saunders et al., 2016:147).

3.2.4.3 Postmodernism

Postmodernism stresses the role of language and the power of relations. It provides a voice and legitimacy to the suppressed and the marginalised and seeks to question the accepted ways of thinking (Saunders et al., 2016:149).

3.2.4.4 Pragmatism

When researchers start with a problem and aim to contribute practical solutions that inform future practice, their approach is pragmatic. Pragmatism recognises that there are many ways of interpreting the world and understanding research; no single view can ever give the entire picture and there may be multiple realities (Saunders, Lewis & Thornhill, 2019: 150). However, none of the aforementioned research philosophies were considered suitable approaches for the current study.

3.2.4.5 Interpretivism

Interpretivism emphasises that humans are different from physical phenomena, because human beings provide rich information to researchers through their interactions, and by expressing their feelings and experiences (Saunders et al.,

2016:148). The challenge for interpretivist researchers is to enter the social world of the research participants and to understand that world from the participants' point of view (Saunders et al., 2016:148). Interpretivists believe that society provides multiple responses from their experiences and that truth and reality is subjectively created by the participants and not discovered.

The goal of interpretivism is to attempt to understand the interpretation by individuals of the social phenomena they interact with (Saunders et al; 2016:148). Interpretivist methodology requires that social phenomena be understood through the eyes of the participants rather than that of researchers by understanding social phenomena in their context of study.

Interpretivism was adopted as the appropriate research philosophy owing to the qualitative nature of the study (Saunders et al., 2016:148). The researcher wants to understand how spaza shop owners experience the daily operation of their spaza shops. The interaction of the researcher and study participants provided rich information regarding the factors affecting the growth and profitability of spaza shops in the EMM. The following section explores approaches to theory development.

3.2.5 Research approach

Saunders et al. (2016:145) differentiate two main research approaches, the deductive and inductive approach to research theory development. The research will either adopt a deductive approach in which a theory is adopted for hypothesis-testing, or an inductive approach in which the collected data is used for developing a theory. Both of these approaches are discussed below. Table 3.1 details approaches to theory development.

Table 3.1: Approaches to theory development

	Deduction	Induction
Logic	When premises are true, the conclusions must also be true.	Known premises are used to generate untested conclusions.
Generalisability	From the general to the specific	From the specific to the general

Use of data	Data collection is used to evaluate proposition or hypotheses related to an existing theory.	Data collected is used to explore a phenomenon, identify theories and patterns and create a conceptual framework.
Theory	Theory falsification or verification	Theory generalisation and theory-building

Source: Saunders et al. (2012:143)

3.2.5.1 Deductive reasoning

The deductive reasoning approach assumes centrality as the basis of arriving at conclusions (Saunders et al., 2016:146; Zalaghi & Khazaei, 2016:26). This approach begins by identifying or assuming a theory, deriving from hypotheses and revising the theory (Woiceshy & Daellenbach, 2018:185). The assumptions about the theory are assertions the researcher considers to be true at first about a phenomenon (Leedy & Ormrod, 2016:36). Deductive reasoning is valuable for generating research hypotheses and testing theories. On the other hand, inductive reasoning does not begin with pre-established truths or assumptions, but instead begins with an observation (Leedy & Ormrod, 2016:36).

3.2.5.2 Inductive reasoning

The inductive approach establishes a theory by collecting data and observing a specific phenomenon. The researcher begins with a set of objectives, looks for patterns in the interpretations, and then develops a theory from analysing the data collected (Saunders et al., 2015:147; Zalaghi & Khazaei, 2016:24). The purpose of inductive reasoning is to enhance a better understanding of a particular state of affairs and the nature of the problem (Saunders et al., 2016:147).

The current study adopted the inductive reasoning approach to understand and create a conceptual framework regarding the factors that are affecting the growth and profitability of spaza shops in the EMM. Section 3.3 discusses research design as a third component of the research paradigm.

3.3 RESEARCH DESIGN

Research design is the overall scheme which involves the plan for data collection, data measurement and data analysis to present the meaning and results derived from the data collected. It is the analysis blueprint for answering the research questions and realisation of objectives (Cooper & Schindler, 2014:124). In this section, the nature of research designs and types of research designs are discussed, including research methodologies and research strategies.

3.3.1 Nature of research design

The researcher has several research designs to choose from when conducting the research; these include descriptive, explanatory and exploration designs.

3.3.1.1 Descriptive research design

Descriptive research is undertaken when a researcher has a well-developed idea about a social phenomenon and wants to describe it (Neuman, 2014).

3.3.1.2 Explanatory research design

Saunders et al. (2012) point out that an explanatory study is deployed where the intention of the study is to explain the relationship between the variables. Such a study tries to explain why and how the phenomenon occurs by exploring and measuring causal links between variables (Cooper & Schindler, 2014:13). Explanatory research is undertaken to understand why things are the way they are by looking at the causes and reasons (Salkind, 2012: 12).

3.3.1.3 Exploratory research design

Exploratory research design is conducted when researchers do not have a clear idea of the problem, the investigation will be new or vague (Cooper & Schindler, 2014: 129). An exploratory study is undertaken when little to nothing is known about the phenomenon and no one has yet explored the topic (Neuman, 2014: 38). The researchers ask open questions to discover what is happening and gain insights into the studies being conducted (Saunders et al., 2012: 171). An exploratory study is relevant when a clear idea of the problem cannot be established, in which case a

preliminary study is undertaken for more insightful knowledge about phenomena (Sekaran & Bougie, 2016:43).

In the present study, an exploratory research design is undertaken with an aim of understanding the factors affecting growth and profitability of spaza shops in the EMM East Rand region. The daily experiences and challenges of spaza shop owners are explored, together with their perceptions of their competitors, through the adoption of an exploratory research design.

3.4 RESEARCH METHODOLOGY

Research methodology refers to the process of how one seeks new knowledge, the principle of inquiry and how the inquiry should proceed (Denzil & Lincoln, 2011:104). It involves techniques and procedures by which data are obtained and analysed (Myers, 2013:25; Rogerson & Rogerson, 2014:2).

Qualitative and quantitative approaches constitute two of the main research methods. Saunders et al. (2016:165) advise that the difference between qualitative and quantitative methods is mainly numeric, in that numbers are used in quantitative data, while words constitute the qualitative data. The qualitative research approach is grounded in the life experiences of the people being studied (Denzil & Lincoln, 2011:3), while quantitative research was originally developed for the natural sciences.

Table 3.2 provides a comparison of qualitative and quantitative research approaches, which are then briefly discussed.

Table 3.2: Differences between qualitative and quantitative research approaches

Orientation	Quantitative research	Qualitative research
Assumptions and beliefs about the world	A single reality can be measured by an instrument. The world is external and objective. Observer is independent; science is value free	Uses a multiple constructed reality. The world is socially constructed and subjective. Observer is part of what is observed; science is driven by human interest.

Research purpose	Establishing relationships between measured variables. Focus on facts. Formulate hypotheses and test them. Look for causality and fundamental elements.	Understanding a social situation from participant's perspective. Focus on meanings. Try to understand what is happening. Develop ideas through induction from data.
Research methods and processes	Procedures established before study begins. Hypothesis is formulated before research can begin. Operationalising concepts so that they can be measured.	Design emerges as data are collected. A hypothesis is not needed to begin research. Inductive in nature. Using multiple methods to establish different views of phenomena.
Researcher's role	Researcher is ideally an objective observer who neither participates in nor influences what is being studied.	Researcher participates and becomes absorbed in the research or social setting.
Sample size	Taking large samples.	Small samples investigated in depth or over time.

Source: Sönmez (2013: 304)

3.4.1 Quantitative approach

Quantitative research is described as an approach that investigates phenomena based on numbers and measurable systems and questions (Leedy & Ormrod, 2014:154). Quantitative data consists of participant responses based on codes and reduced to numbers to enable statistical manipulations using instruments such as questionnaires in data collection and graphs or statistics in data analysis (Cooper & Schindler, 2014:4; Saunders et al., 2016:166).

3.4.2 Qualitative approach

Qualitative research involves an interpretive approach to the subject matter (Sönmez, 2013). The approach attempts to make sense of or interpret phenomena according to the meanings that people bring to them (Sönmez, 2013). Its aim is to explore and to discover issues about the problem at hand, because very little is known about the problem, or there is uncertainty about the characteristics of the problem (Sönmez, 2013).

Qualitative research is undertaken to answer the researcher's questions in respect of why and how things occur in the manner they do and to facilitate an in-depth understanding of phenomena (Saunders et al., 2016:168; Cooper & Schindler, 2014:144). Qualitative research data include participant observation (fieldwork), interviews, questionnaires, documents and texts.

In this study, a qualitative approach was adopted by the researcher to understand the factors that are affecting the growth and profitability of spaza shops. The qualitative approach was considered to be appropriate since this research aims to understand the views of participants rather than to make use of a numerical investigation of the problem (Saunders et al., 2016:168; Cooper & Schindler, 2014:144).

3.5 RESEARCH STRATEGIES

Research strategies are methods of study that should allow the researcher to address the research question and achieve the study objectives (Saunders et al., 2016:177).

The research strategies that are commonly used in quantitative research are laboratory experiments, field experiments, true experiments, simulations, surveys and forecasting. In qualitative research, on the other hand, the commonly used strategies are as follows (Uusitalo, 2014; Salkind, 2012; Saunders et al., 2016; Mahajan, 2018):

- I. Archival research (use of administrative records and documents);
- II. Physical artefacts (employs objects or elements);
- III. Direct observations (researcher is actually in or directly adjacent to the environment);
- IV. Focus group (gathering of people who are being moderated by a member of a research team);
- V. Case studies (study an individual or an institution in a unique setting);
- VI. Hermeneutics research (adopt a creative stance rather than act as an observer);
- VII. Action research (where corrective action is implemented, observed employ corrective action);
- VIII. Ethnography (corrective action);
- IX. Grounded research (developing and building theory);

- X. Phenomenology (about the life experiences of a concept or phenomenon experienced by one or more individuals); and
- XI. Interviews (obtaining information that might be difficult to otherwise obtain).

In the present study, interviews were adopted as the preferred form of data collection for this qualitative research.

3.6 POPULATION

A research population is defined as the total or entire group of items, units, or participants who possess the traits, features, and characteristics of interest to the researcher, and from whom data can be sourced to make some inferences (Sekaran & Bougie, 2016:236; Cooper & Schindler, 2014:338). Salkind (2012) describes a population as a group of potential participants to whom the researcher wants to generalise the results of a study.

The targeted population for the present study consisted of spaza shop owners from the previously disadvantaged community who had been in operation for over five years at the time of the study.

Although the researcher made attempts to map and obtain lists of spaza shops which had been in existence for a period of over five years, unfortunately, it was almost impossible to confirm whether the lists of South African owned spaza shops were comprehensive or not. The lack of comprehensive and authenticated lists resulted in the researcher making use of non-probability purposive sampling. Purposive sampling was considered appropriate for the study as it seeks to yield insights and understanding of the spaza shop owners under study (Bloomberg & Volpe, 2012).

The researcher approached spaza shop owners from the targeted townships in the East Rand region of Gauteng province. This includes the towns of Alberton, Benoni, Boksburg, Edenvale, Germiston, Brakpan, Nigel and Springs. East Rand is an urban eastern section of the Witwatersrand which has been functionally merged with Johannesburg in South Africa (EMM, 2013). The study area consists of four selected townships which are Kwa-Thema, Tsakane, Daveyton and Duduza of the EMM in the East Rand region of Gauteng province in South Africa.

3.6.1 Sampling

Sampling is the selection of a subset or units of analysis of the research population, which may be individuals or institutions (Sekaran & Bougie, 2016:237; Cooper & Schindler, 2014:338). The primary reason for sampling is to enable the researcher to make certain inferences based on a smaller representative group derived from the larger group (Neuman, 2014:248). A sample could be deducted from that population, and is a representative element chosen from the population to study the characteristics of the whole population (Malhotra, 2010:375). Other reasons for sampling include low cost, expected speed of data collection, greater accuracy of results, and availability of population (Saunders et al., 2016:274).

An effective sampling strategy has five stages:

- I. Defining the target population;
- II. Identifying a sample frame;
- III. Selecting an appropriate sampling technique;
- IV. Determining an appropriate sample size; and
- V. Implementing an effective sampling process (Malhotra, 2010:375).

Other factors that influence the sample size are:

- I. The study purposes;
- II. Research design;
- III. Characteristic of the study population; and
- IV. Analytic approach and availability of resources (Hennink, Kaiser & Marconi, 2017).

There are two types of sampling methods to choose from, these being the probability or non-probability sampling methods (Cooper & Schindler, 2014:348; Sekaran & Bougie, 2016:240). Both methods are discussed below.

3.6.1.1 Probability sampling

When using probability sampling strategy, the likelihood of any one member of the population being selected is known (Salkind, 2012). The determination of who will end up in the sample is determined by non-systematic and random rules; the chances are increased that the sample will truly represent the population (Salkind, 2012). In

probability sampling, the possibility of answering the research questions using the subset of the population is certain (Cooper & Schindler, 2014:358).

Saunders et al. (2016:276) list the following stages for determining probability sampling:

- I. Identifying a suitable sampling frame according to the research questions or objectives;
- II. Deciding on appropriate sample size;
- III. Selecting the most suitable sample technique and selecting the sample; and
- IV. Checking that the sample is fairly representative of the research population.

3.6.1.2 Non-probability sampling

Non-probability sampling relates to a sampling strategy in which the chances for any member of the population of the study to be chosen is unknown (Van Zyl, 2014:956). The likelihood of selecting any one member from the population is not known, and the potential members of the sample do not have an equal and independent chance of being selected (Salkind, 2012). Non-probability sampling is arbitrary and subjective (Cooper & Schindler, 2014).

According to Guest, Bunce and Johnson (2006:79), qualitative researchers most commonly apply a purposive sampling method when deciding on a sample for the research, mainly owing to the random nature of the choice of participants in purposive sampling.

In this research, non-probability purposive sampling was adopted as the appropriate sampling method which facilitated the selection of suitable participants in the sampling frame. The following criteria were used for the selection of the sample for this study:

- I. South African spaza shop owners sell small groceries such as bread, cigarettes, cold drinks, cooking oil, sweets, maize meal, milk, butter and eggs;
- II. Spaza shop owners are male or female, between the ages of 18 and 65 years;
- III. Spaza shop owners either own the spaza shop or they are full-time shopkeepers;
- IV. Spaza shop owners own smartphones and a WhatsApp application;
- V. Spaza shops have been in operation for a period of more than five years; and

- VI. Spaza shop located in East Rand region in the townships of Daveyton, Kwa-Thema, Tsakane and Duduza.

3.6.2 Sample size

In qualitative research, the selection of sample size is informed by several factors such as the purpose of the study, research design, characteristics of the study population, analytic approach, and available resources (Hennink, Kaiser & Marconi, 2017:1).

Researchers must decide how much time and funding to invest in data gathering because sample size depends on the qualitative design being used (Creswell, 2014:189). This process must be determined inductively and must continue until saturation is reached (Guest, Bounce & Johnson, 2006:1). Furthermore, Guest et al. (2006:79) contend that in most research studies where the sample consists of a group of relatively homogeneous units, 12 interviews should suffice, because it has been empirically found that this is the point of saturation.

Saturation is then described as the data collection point where thematic issues are identified, and additional data is repetitive or redundant (Hennink et al., 2017:2). This means that data collection has reached a point at which the continual new data adds nothing new into the study (Marshall, Cardon, Poddar & Fontenot, 2013:11).

In this study, the researcher approached a total of 34 possible participants in the four selected townships. Seventeen participants were in Kwa-Thema, six participants in Tsakane, six participants in Duduza, and five participants in Daveyton. Saunders et al. (2016:233–234) assert that interviews ought to be added until saturation is reached. In this regard Guest et al. (2006:61) postulate that 12 should be adequate if the goal is to understand commonalities within a reasonably homogeneous population. The population of this study constituted a homogenous group of spaza shop owners and full-time shopkeepers in East Rand region. The total number of participants who agreed to participate in the study were 15 participants. The total number of participants interviewed after being approached by the researcher were six in Kwa-Thema, five in Duduza, one in Daveyton and three in Tsakane. This led to a total of 15 participants being interviewed. Similar to the conducted by Hare in a qualitative Study on the Reasons for Weak Cooperative Relationship Amongst South African Spaza Shop Owners were a sample consist of a total of 14 spaza shop owners in Alexandra

Township in Gauteng were used (Hare, 2017). A total of 13 interviews were included in the study conducted by Ndebele in the inhibitors of supply chain collaboration in the informal sector retail in Soweto (Ndebele, 2018). The study conducted by Bhoola & Chetty on Experiences and Perceptions of Economically Marginalised Women in food vendors, twenty-one informal traders identified and approached and only 12 informal traders agreed to participate anonymously (Bhoola & Chetty, 2022). While 18 spaza shop owners interview using semi-structured interviews participated the study (Molio, 2014).

Other participants who were not included in the study were participants who did not have WhatsApp applications and were not using smartphones. Those participants who did not respond to WhatsApp voice note requests were also not invited to participate in the study.

3.7 DATA COLLECTION

Data collection involves arranging data collection methods, contacting participants, and recording data (Van Zyl, 2014:165). Anything that becomes a means of collecting information for the study is called a research tool or a research instrument, for example observation forms, interview schedules, questionnaires, and interviews (Van Zyl, 2014:156; Sekaran & Bougie, 2016:11). Interviews and questionnaires are some of the commonly used data collection instruments in research.

3.7.1 Interviews

Interviews are discussions or conversations between the researcher and the participants for the purpose of sharing information. This can take the form of the most informal question-to-answer session on the street, to highly structured questions (Saunders et al., 2016: 388; Van Zyl, 2014:198). Other forms are telephonic interviews, face-to-face interviews, online interviews, and interviews through the use of electronic media (Sekaran & Bougie, 2016:113).

An interview can establish a set of data that characterises the person being interviewed. It provides first-hand knowledge of people's feelings, experiences, and perceptions. In addition, the interview enables the researcher to collect authentic and

reliable data that is appropriate to the research questions and objectives (Sekaran & Bougie, 2016:113).

The form of the interview can be structured, semi-structured, or entirely unstructured (Sekaran & Bougie, 2016:113; Van Zyl, 2014:199). Structured interviews relate to the interviewer-administered process in which questions are predetermined. They are conducted with planned questions at hand and are based on seeking explicit answers by asking clear and focused questions (Sekaran & Bougie, 2016:115; Van Zyl, 2014:199). By contrast, the unstructured interview process has no planned sequence of questions to be asked, which allows for a broader understanding to be heard from the interviewee (Sekaran & Bougie, 2016:115; Van Zyl, 2014:119).

In this study, semi-structured interviews were used as the primary data collection instrument. The semi-structured interviews were suitable for this study in ensuring that insightful information was gained from the participants by directing the conversation on a contextual basis (Saunders et al., 2016:391). The interview guide was developed by the researcher and administered by the researcher as the researcher conducted online interviews on his own. The interview guide comprised of 30 questions which were both open-ended questions and close-ended questions. Open-ended questions were designed to provide more information from the participants, there were two open-ended in the introduction stage and three closed-ended questions in the introduction stage. The remaining twenty-five questions were open-ended questions with the aim of elucidating rich and insightful information from the participants.

Furthermore, the study adopted an online interview method using a WhatsApp voice note as a tool to collect data from the participants.

During the data collection period, the country was in lockdown with a high level of Covid-19 infections. The researcher abided by lockdown regulations and followed safety procedures to mitigate the spread of the virus when collecting the data. For this reason, the researcher used the online interview method for the safety of all concerned.

The researcher distributed information sheets and consent forms to the potential participants who were purposively identified. The researcher introduced himself and

invited them to participate in the research project. During the distribution period, the researcher ensured that only the spaza shop owners or full-time shopkeepers were available in the shop, to avoid the spread of the virus.

As noted above (see 3.6.2), 15 of those who were approached responded positively to the interview invitation. Each participant was given airtime to the value of R30 to the mobile network of their choice, to facilitate an online interview. Participants were also given the opportunity of being interviewed in their own time. The interview schedule was used to collect the data of the study. Recorded data from the WhatsApp voice notes were transcribed for analysis by the researcher. All the interview transcripts were coded for anonymity, and the participants were allocated pseudonyms prior to the transcription process.

3.8 DATA ANALYSIS

Data analysis is described as the process of organising, examining, and categorising the collected data to discover habitual relationships and correlational factors of phenomena (Cooper & Schindler, 2014:86). The study adopted Creswell's approach (2014:196–200). This approach has the following steps:

1. *Prepare the data*: This refers to the transcribing of the interviews and the sorting and arranging of the data if different sources of information is used.
2. *Read and prepare data for analysis*: The researcher gets a general sense of the information and possibly its overall meaning, perhaps the researcher wants to write down general idea about the data.
3. *Organise the data*: This is the process of organising the data into chunks of information and writes a word that represent a categories or themes for analysis.
4. *Describing the setting or people and categories or themes for analysis*: The researcher gives detailed description of the settings, or the people involved as well as description of the categories or themes for analysis.
5. *Present the results*: Convey the findings of the analysis, a chronology of events, a detail discussion of several themes or a discussion of interconnecting themes (Creswell, 2014:196–200).

The researcher began data analysis process after data collection was completed. The process began with transcribing the interviews into transcripts and reading the

transcripts for understanding and gaining insights from the data collected. In the second step of data analysis, the researcher read the transcripts in detail to understand their context.

During the third process of data analysis, the researcher started to code the data into single word and phrase codes and frequencies of wording. A code is often a “word or short phrase that symbolically assigns a summative, salient, essence-capturing, or evocative attribute for a portion of language-based or visual data” (Saldana, 2013:3).

Several types of coding can be used in analysing data, but the study adopts in-vivo coding to analyse the current study. In-vivo refers to a word or short phrases from the actual language found in the qualitative data recorded, the terms used by participants themselves (Saldana, 2013:91). The current study made use code and frequencies to analyse the data. The researcher used frequency of wording to formulate codes from the highest quoted words to the lowest. Prices was indicated as number 6 coding and with a high total frequency of 167 wording quoted by all participants in their interviews.

P1: We have problems with prices.

P9: He is just dropping his prices and just playing with his prices, I don't know whether he still have more customers.

P10: Kids used to complain that the prices are too much for the biscuits.

The second frequently quoted wording was stock and coded number 1 in the extracted table below, stock had a frequently of 153 wording quoted by participants.

P10: There is a shortage of stock, and we are battling a lot.

P13: you can't get your stock at the right time and the right products the way you want them.

P1: The challenge to us we don't have enough stock and we don't have money.

The third most frequently quoted wording was credits coded number 6 with 88 frequently words quoted by the participants.

P10: She was taking credits, but she was not reliable when it comes to payment.

P14: They come to you because they need credit, so its black men politics.

P12: I do give them credits to them and others they run away from you.

The Table below excerpt of how data was coded by the researcher from each participant refer (Appendix 2) Codes and frequencies of each participant.

Word/phrase	Codes	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13	P14	P15
Stock	1	16	15	17	8	5	1	4	3	11	27	12	7	18	nil	7
Foreign Nationals	2	11	7	6	4	4	3	8	3	5	6	1	11	16	4	8
Not having enough stock	3	8	5	1	5	3	nil	nil	nil	1	9	1	2	8	nil	3
Not having money	4	6	nil	9	nil	2	1	2	nil	5	24	2	6	4	2	3
Credits	5	4	14	2	1	3	4	9	3	2	17	6	5	7	7	2
Prices	6	9	9	20	10	23	11	9	12	12	12	2	10	8	8	9

Source: Researcher's own construction

During the second cycle of the coding process, the researcher searched for patterns in the coded data. Similar coded data were grouped into categories because they shared some characteristics (Saldana, 2013). Table 3.3 displays the word/phrase codes grouped according to categories and overall themes. These category names were used to produce the research report.

Table 3.3: Themes and categories

Categories	Codes
PRICES	Prices
STOCK	Stock
	Not having enough stock
	Not working together
	Not attending training
	Expired products
	Delivery
CREDITS	Credits
	Not having money

Source: Researcher's own construction

Categories were also formulated in the study by combining the codes with similar meaning to generate a category. An example of formulating each category was as follows: Category for stock.

P2: Whenever customers come to my shop, and they don't find what they are looking for I make sure that I note that down.

P5: The money you are generating, you have to take it and get the stock for the business.

P3: They are helping each other I what they are doing and the buy stock in bulk, when you buy stock in bulk that is when you get your stock at a cheaper price.

The category of stock was formulated by quotations with similar meaning regarding stock, which was the combinations of codes including stock, not having enough stock, not working together, not attending training, expired products and the delivery of stock. Maziriri, Madinga and Lose (2017) clarify that thematic analysis is a meticulous process of identifying, analyzing and reporting themes that emerge from the qualitative study. The major advantage of thematic analysis is that it is a logical process that allows the researcher to scrutinize interviews transcript comprehensively and glean all possible themes (Maziriri, Madinga & Lose, 2017).

The researcher ensured that the study maintained its trustworthiness by observing that the qualitative research findings were dependable, credible, transferable and confirmable (Anney, 2014). The next section provides the trustworthiness criteria for qualitative inquiry which were applied in the study.

3.9 TRUSTWORTHINESS OF QUALITATIVE INQUIRY

Quantitative studies ensure trustworthiness through the validity and reliability of the instruments (Thomas & Magilvy, 2011:152). Validity reflects the extent to which an instrument measures what is believed to be measured, and reliability reflects the extent to which a measuring instrument brings forth a constant outcome of a quantitative inquiry. This ensures self-reliance, practicable and clear research (Thomas & Magilvy, 2011:152).

In qualitative research, on the other hand, the researcher needs to provide sufficient information to enable readers to determine the quality of the research based on the model of trustworthiness (Moon, Brewer, Januchowski-Hartley, Adams & Blackman, 2016). Ang, Embi and Yunus (2016) describe trustworthiness as a system that addresses credibility, transferability, dependability, and confirmability. These concepts are discussed next.

3.9.1 Credibility

Credibility refers to whether the findings reflect the reality of the participants (Thomas & Magilvy, 2011:152). Credibility establishes whether or not the research findings represent plausible information drawn from the participants' original data and is a correct interpretation of the participants' original views (Anney, 2014).

To ensure credibility, the researcher made use of member-checking, by going back with the transcribed data to the participants for them to confirm whether the information that they provided had been interpreted correctly and reflected their reality (Thomas & Magilvy, 2011:152). Ang et al. (2016:1858) describe member checking as a mechanism used to determine the accuracy of the qualitative findings by taking the final report back to the research participants and to check the opinion of the participants about the accuracy of the findings.

3.9.2 Transferability

Transferability is the ability to transfer research findings from one sample to another or is the extent to which findings are applicable to the context with other participants (Thomas & Magilvy, 2011:153). The idea of transferability is whether some similarity could be found in other research contexts (Eriksson & Kovalainen, 2008:294).

To establish transferability, the researcher provided enough detail about the context of the research so that readers can judge the applicability of the findings to other known settings. The researcher facilitated the transferability judgement by using "thick description and purposeful sampling". This refers to the researcher providing a detailed description of the enquiry, and selecting units of analysis based on specific purposes associated with answering the research study questions (Anney, 2014: 277). The researcher has kept transcripts and WhatsApp voice notes by documenting all aspects related to the research process (Eriksson & Kovalainen, 2008:294).

3.9.3 Dependability

Research can be regarded as dependable when another researcher can analyse the raw data and will come to the same conclusion (Thomas & Magilvy, 2011:153). Dependability is the "stability of findings over time" (Anney, 2014: 278). The researcher also ensured dependability by adopting stepwise replication. This is a qualitative

research data evaluation where two or more researchers analyse the same data separately and compare the results with the study.

The researcher also documented and kept the physical evidence and data collection mechanisms of the research process (Moon et al., 2016:18). Transcribed hard copies of the data are kept safe for five years in a locked cupboard for future research and academic purposes, with the electronic version stored on a password-protected computer. After five years, hard copies will be shredded, and the electronic copies will be permanently erased from the hard drive of the password-protected computer.

3.9.4 Confirmability

Confirmability refers to the degree to which the research findings do not reflect the opinions and imagination of the researcher (Ang et al., 2016:1857). Confirmability relates to the degree of objectivity that assures that the findings are authentically influenced by the participants' responses rather than the researcher's predictions (Ang et al., 2016:1857). The researcher kept a reflective journal, in order to reflect on the events that happened in the data collection (Anney, 2014). Furthermore, the researcher reported on the steps taken throughout the research process and made sure that he did not impose on the personal views of the participants (Moon et al., 2016:19). To ensure confirmability, the researcher followed the participants' responses with probing questions for data saturation, rather than leading the participants to respond in a particular manner.

3.10 ETHICAL CONSIDERATIONS

Ethics are the standards of behaviour that guide a researcher's conduct in relation to the rights of those who are the subject of the researcher's work or those who are affected by the work (Saunders et, al., 2012:226). The study respected and protected the dignity, privacy and confidentiality of participants. Institutions should never expose the participants to any risks not directly attached to the research projects or its methodology (UNISA, 2016). Where interviews were involved, participants were informed of the estimated time the research would take. The names, addresses, contact details and email address of the participants were given to the participants.

A clearance certificate was obtained from the Research Ethics Review Committee of the Department of Business Management at the University of South Africa before the data collection process was commenced.

The researcher and participants discussed the participants information sheet before commencing with the interviews, and both parties signed the information consent form letter (Appendix 6). The purpose of the research was explained to the participants, including their right to privacy and anonymity.

All personal information and records provided by the participants in this study remain confidential. When conducting interviews, the researcher made it clear that confidentiality and anonymity were safeguarded (UNISA, 2016). The researcher ensured the protection of participants, including participants' right to confidentiality when sharing and making public available data in any form. Data which do not identify participants, and which are anonymous or abstracts may be commonly shared and may be made public (UNISA, 2016). Participants were also informed that they were participating voluntarily in the study and were not obligated. They were informed that they had the right to refuse and to decline the interviews at any time without any further explanation to the researcher. The permission to use a WhatsApp voice note was obtained from the participants before commencing the online interviews. After the completion of the study, the researcher will take back the findings of the study and communicate back to the participants in a manner that they will understand and that appeals to their individual needs (UNISA, 2016).

3.11 LIMITATIONS OF THE STUDY

The study was limited to South African spaza shop owners and full-time spaza shop operators who had been in business for five years or more. The spaza shop owners were restricted to those operating in the East Rand region, who specifically sold bread, cigarettes, cold drinks, cooking oil, sweets, maize meal, rice, milk and margarine.

The study excludes spaza shops owned by foreign nationals, large trade retailers and spaza shops selling katas, pap and vleis, isishebo and rice, braai meat, alcohol, and fish and chips.

The study was further limited by excluding possible participants because they did not own smartphones or use WhatsApp applications. Online interviews were the only means of communication during the lockdown period. Therefore, older participants were limited in their expression as they could not use the facility very effectively.

3.12 SUMMARY

This study undertook an explorative research design to understand the factors affecting the growth and profitability of spaza shops in the EMM. The study was exploratory in nature, enabling applicants to express their experiences, opinions, perceptions and the challenges they face during daily operations.

The study adopted a qualitative research approach as the research methodology. This approach focuses on interaction with the participants and draws conclusions directly from participants' point of view rather than according to the researcher's interpretation. Online interviewing was adopted as the appropriate research strategy to collect information from the participants.

Participants were selected purposively according to the researcher's inclusion criteria. A total of 15 participants were interviewed. Data were collected through semi-structured interviews, and the researcher used an interview guide to allow all participants to be asked similar probing questions to elicit information. The data analysis method identified codes in the first stage. The second stage of data analysis combined the codes into categories and themes. The next chapter details the data analysis and presentation of the results of the study.

CHAPTER 4

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 INTRODUCTION

The previous chapter addressed the research methodology and designs that were applied to address the main aspects of the research problem, which was to understand the factors that are affecting growth and profitability of spaza shops in the EMM.

4.1.1 Research objectives

The research problem of this study was investigated by setting the following secondary research objectives:

1. To understand the challenges faced by the spaza shop owners during their business operating period;
2. To describe the business strategies used by spaza shop owners during their business operations;
3. To understand the spaza shop owners' perspectives on competition; and
4. To make recommendations on how spaza shops mitigate the negative factors which are affecting growth, profitability, and sustainability.

4.1.2 Research questions

The research sub-questions which this research attempted to answer were:

1. What are the challenges faced by the spaza shop owners during their business operating period?
2. Which business strategies are used by the spaza shop owners during their business operations?
3. What are the perspectives of spaza shop owners on their competitors?
4. How do spaza shop owner mitigate negative factors which are affecting growth, profitability, and sustainability?

4.2 ANALYSIS AND PRESENTATION OF FINDINGS

This chapter presents and analyses the findings of the qualitative research and analysis of data collected from 15 interviews conducted with the EMM spaza shop owners. Findings are divided into the following subsections:

- 4.3: Background information of participants
- 4.5: Challenges faced by spaza shops
- 4.6: Strategies used by spaza shops
- 4.7: Perspectives on competitors, and
- 4.8: Mitigation of negative factors affecting spaza shops

The themes, codes and frequencies cited in the findings emanate from the responses of the participants (see Appendix 1). The researcher used codes, themes, and frequency count to analyse the data that has been collected and reported on the findings.

4.3 BACKGROUND INFORMATION OF PARTICIPANTS

Specific details regarding participants' demographics and business information were collected in response to research questions. The findings regarding participants' gender, home language, and ethnicity are shown below. In addition, findings are presented and discussed relating to business operation, business structures, ownership of the business, entrepreneurial type and business registrations.

4.3.1 Demographic information

The demographic particulars of spaza shop owners are presented in Table 4.1.

Table 4.1: Demographic information of participants

Participant	Gender	First language	Ethnicity
P1	Male	IsiXhosa	Black
P2	Male	Sesotho	Black
P3	Male	IsiZulu	Black
P4	Female	Sesotho	Black
P5	Male	IsiZulu	Black
P6	Male	IsiZulu	Black
P7	Male	Sepedi	Black
P8	Male	IsiZulu	Black
P9	Male	Sesotho	Black
P10	Male	IsiZulu	Black
P11	Male	IsiZulu	Black
P12	Female	Sesotho	Black
P13	Female	Setswana	Black
P14	Male	Sepedi	Black
P15	Male	IsiXhosa	Black

Source: Researcher's own construction

Table: 4.1 presents the number of participants who took part in the study (P1 to P15). Three females and twelve males were interviewed. The nationality of the participants was black South African-owned spaza shops. The participants resided in the four selected location of the East Rand Region which is Kwa-Thema, Tsakane, Duduza and Deveyton. The languages spoken by the participants indicated that IsiZulu was the most spoken language with Setswana as the least spoken language. The interview guide did not include the literacy questions and there is no information regarding the level of education of participants in the study. In relation to the findings, 51% of the population of the City of Ekurhuleni is male and 41% of the population is female, as

noted in Chapter 1, section 1.1 (City of Ekurhuleni integrated development plan 2016–2021:8).

The results of the study further indicated that six participants (P3;P5;P6;P8;P10;P11) were Zulu-speaking individuals, four (P2;P4;P9;P12) spoke Sesotho, two (P1;P15) spoke IsiXhosa, P7 and P14 spoke Sepedi, and P3 spoke Setswana. Therefore, Isizulu was the first language of the most participants, followed by Sesotho. The City of Ekurhuleni integrated development plan (2016–2021:20) reports that the most spoken languages in the EMM were 34% IsiZulu, 12% Sepedi, 11% Sesotho and 10% English.

A criterion for participation in the study was falling into the age range of 18 to 65 years (as mentioned in Chapter 3, section 3.6.1.2). All participants met this criterion. At the time of the study, an average of 30% to 66% of the EMM's total population was between the ages of 18 and 64 years; 18% of the population was below the age of 18 years and 6% was above the age of 65 years (City of Ekurhuleni integrated development plan, 2016–2021:20).

In terms of ethnicity of participants, only black South African spaza shop owners were interviewed. However, the EMM demographics are 80% Africans, 14% white population, then 3% coloured population and 2% Indian population (City of Ekurhuleni integrated development plan, 2016–2021:20). Nevertheless, the present study has excluded the demographics of the white population, coloured population, Indian population, and foreign national spaza shop owners.

4.3.2 Business information

This section details participants' business operations, business structures, ownership of the business, opportunity and necessity entrepreneurs and business registrations.

Spaza shop owner participants met the requirements of the study that they should have been in operation for a period of more than five years as discussed in Chapter 3, section 3.6.1.1. Business operation of spaza shop as reported in the findings were that six participants (P3;P5;P6;P8;P9;P10) had operated their spaza shops from five to ten years, three participants (P1;P2;P14) had operated their spaza shops from 10 to 20 years. Five participants (P4;P11;P12;P13;P15) had operated the shops from 20

to 30 years and P7 had operated for over 30 years. The business operations of spaza shop owners are presented in Figure 4.1

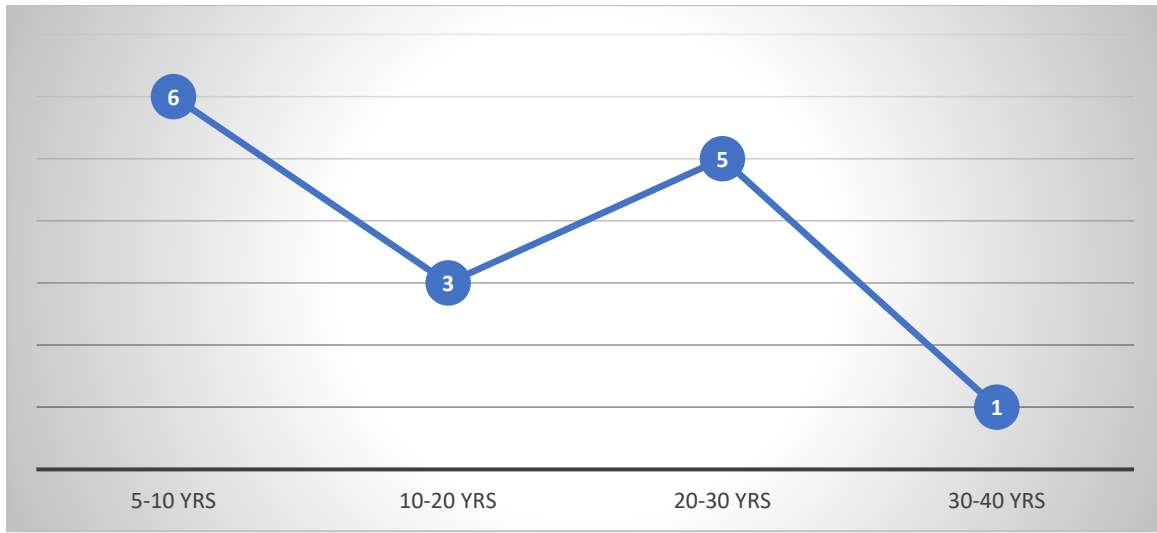


Figure 4.1: Business operations

Source: Researcher's own construction

According to the findings, spaza shops in EMM are still existing and fully operational, with P7 having a track record of operating for over 30 years. In relation to the findings, the number of years for which a business has been in operation is also an indication of the likelihood of its survival (Mukwarami, 2017). This differs from the findings where spaza shops do not last more than three years, according to a study conducted by Ligthelm in 2012 on small retail business across South African metropolitan areas. The targeted populations were hawkers, spaza shops and shebeens, with up to 50% of new entrants not lasting longer than five years, in a study conducted in Delft South and a portion of Eindhoven, relatively poor townships on the outskirts of the City of Cape Town (Charman, Petersen & Piper, 2012).

4.3.2.1 Business structures

Business structures were of four different types, namely garages, front rooms, sheds and containers. Ligthelm (2008:38) defines a spaza shop as a business operating in a section of an occupied residential home or in any structure such as a shed in a formal or informal township which is zoned for residential purposes and where people live

permanently as indicated in Chapter 1, section 1.1. Business structures of spaza shops in the study are presented in Figure 4.2.

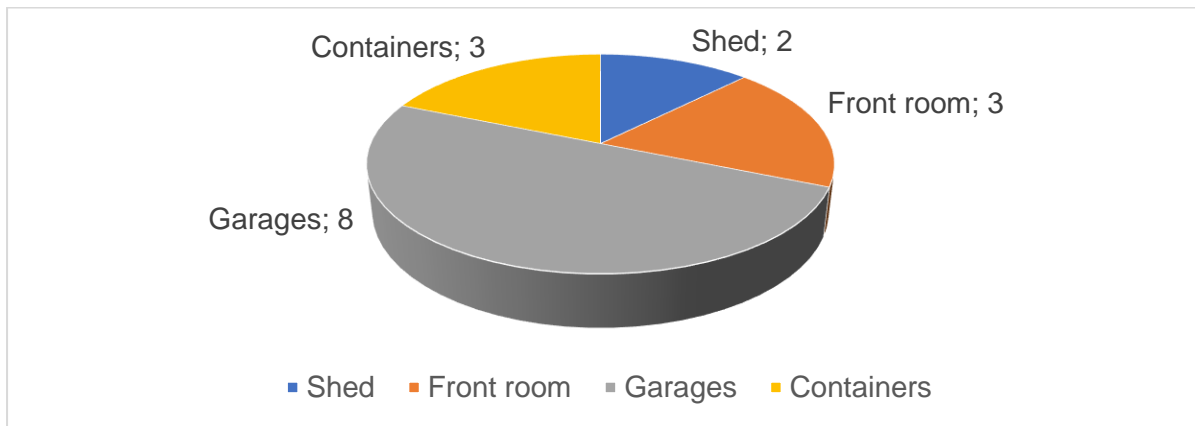


Figure 4.1: Business structures

Source: Researcher’s own construction

It was found that eight participants (P3;P5;P6;P7;P8;P9;P10;P11) were operating in garages, and three participants (P2;P14;P15) were operating in the front rooms of permanent residential homes. P1 and P13 were operating in sheds; P4 and P12 were operating in containers. Garages in the findings were structures which were used most often by participants as they were strategically positioned and with large trading space for business operation. In relation to the findings, spaza shop activities form part of South African black history as they still present a form of current survival business as noted in Chapter 2, section 2.3 (Ranyane, 2014).

4.3.2.2 Ownership of the business

Four different types of business ownerships, namely inheritance, family business, partnership and own shop are all presented in Figure 4.3.

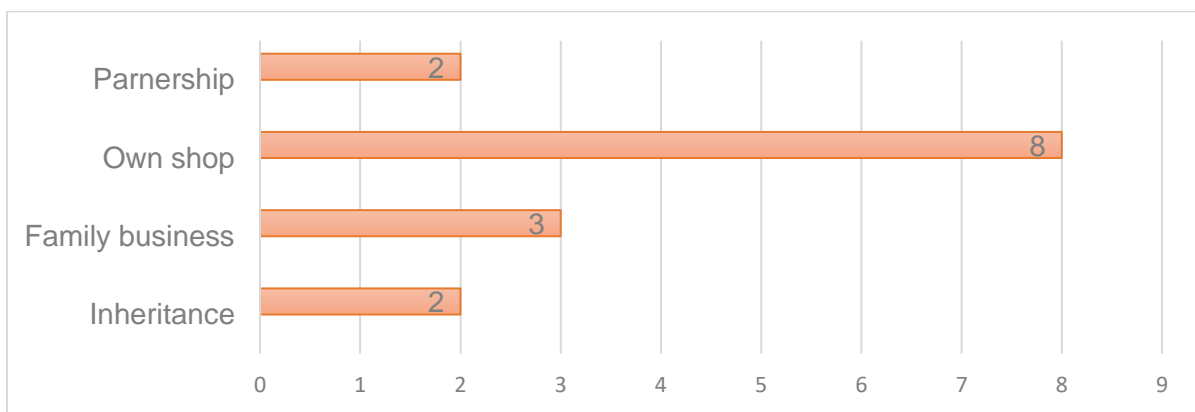


Figure 4.3: Ownership of the business

Source: Researcher's own construction

According to the findings, eight participants (P4;P6;P8;P9;P12;P13;P14;P15) were owners of the shops, two participants (P3;P5) were in partnership, two participants (P1;P11) inherited the business and three participants (P2;P7;P10) were operating spaza shops as family businesses.

The results indicate that most of the businesses were occupied by the owners of the shops. The owners of spaza shops were fully responsible for the daily operation of the shops from taking orders of the products, selling the products and dealing with the financial aspects of the spaza shops. Business partners on the other hand, were responsible for equal contributions to the spaza shops affairs. Family businesses nominated one member of a family to operate the business as a manager, and business inheritance were taken over by one family member to keep the existing legacy of business affairs in operation.

4.3.2.3 Opportunity and necessity entrepreneurs

Participants presented as one of two types of entrepreneurs, namely opportunity entrepreneurs or necessity entrepreneurs as detailed in Figure 4.4.

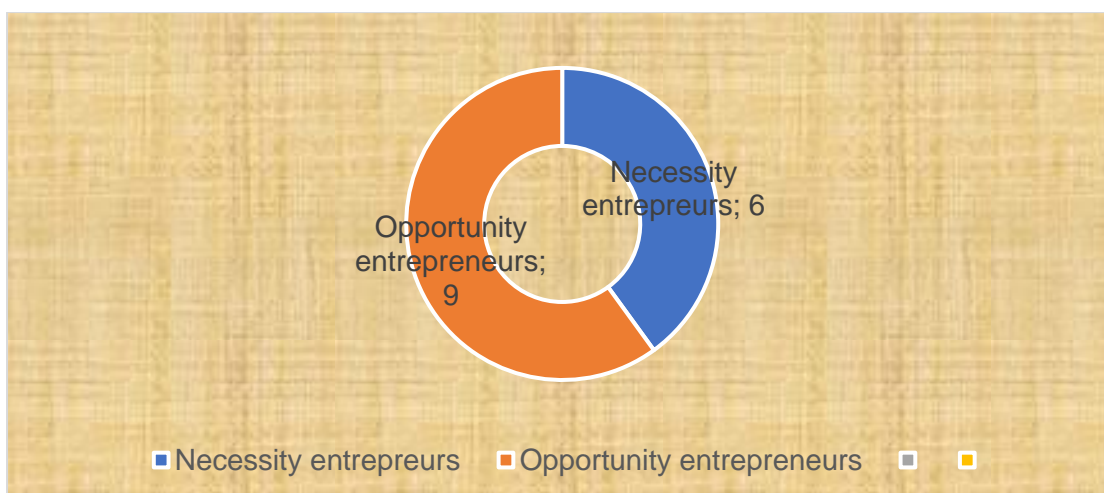


Figure 4.4: Opportunity entrepreneurs and necessity entrepreneurs

Source: Researcher's own construction

Opportunity entrepreneurs are those who manage to start their business to pursue an opportunity in the market (Mukwarami, 2017) as discussed in Chapter 2 section 2.3.3. According to the findings, nine participants (P2;P3;P5;P6;P7;P8;P9;P12;P13) were opportunity entrepreneurs who had identified the opportunity to start a spaza shop and had taken advantage of the opportunity. Six participants (P1;P4;P10;P11;P14;P15) as indicated by the findings were necessity entrepreneur participants who started their spaza shops because of the necessity to feed their families and sustain their livelihoods.

4.3.2.4 Business registration

The findings indicate that three spaza shops owners had registered their businesses, but nine businesses were not registered. Figure 4.5 presents the findings of business registrations according to business registration status.

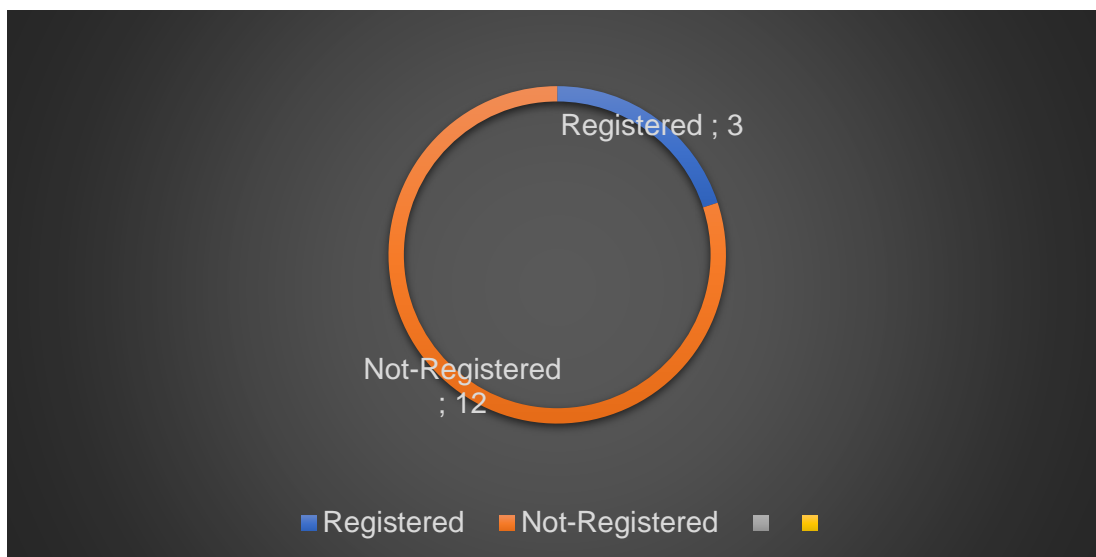


Figure 4.5: Business registration

Source: Researcher's own construction

The findings indicate that P4 and P12 (female participants) operated their registered spaza shops in containers and had operated for more than 20 years. P2 (male) operated a registered business in the front room of his residence.

According to the findings, all three registered businesses (P4;P12;P2) were supported by government personnel and had been assisted to register their spaza shops. Participants were offered business training on how to conduct the business operations.

Furthermore, financial institutions played an important role in opening the business accounts for these registered businesses and assistance was offered to businesses on how to manage the business funds.

On the other hand, 12 participants (P1;P3;P4;P5;P6;P8;P9;P10;P11;P13;P14;P15) were not registered. Those spaza shops were collectively defined as small, unregistered businesses which were operating as home businesses established on residential sites (Ligthelm 2012:59). The majority of spaza shops are unregistered and mostly do not adhere to municipal regulations (Chimpuza & Palatsi, 2019).

4.3.3 Discussion of background information of participants

The demographic information shows that three participants were female and twelve males. In relation to the findings, Ligthelm (2005) states that the number of male business owners is high compared to female business owners. Social and cultural constraints often mitigate against the effective participation of women in economic activities according to the study conducted by Fatoki and Chindoga (2011:163). The factors which prevent the participation of women in business activities include gender-based perceptions, family responsibilities and socio-cultural attitudes (Nieman & Nieuwenhuizen, 2009:31). Females experience a general lack of support which is the result of negative prevailing socio-cultural attitudes, gender discrimination and personal difficulties (Rolfe, Woodward, Ligthelm & Guimaraes, 2010).

The next section discusses the findings on the research questions and providing details on the codes, and categories that were used to answer the research questions of the study.

4.4 RESEARCH QUESTIONS AND CATEGORIES

Various categories were linked to the research questions to present the results of the study. Categories linked to the first research question are price *fi*(167), stock *fi*(153) and credits *fi*(88). The second category linked to the second research question which deals with the business strategies used by participants, include customer service *fi*(81). Foreign nationals *fi*(97) is the third category linked to the third research question which deals with the perspectives of participants on competition and the last category

is growth $f_i(27)$ which deals with the mitigation of negative factors affecting spaza shop owners. The frequency of word counts was determined by the number of counts from the participants' responses when analysing the data.

Table 4.2 details the research questions and categories used in data analysis to present the research results.

Table 4.2: Research questions and categories

Research questions	Categories	Frequencies	Participants
Research question 1: What are the challenges faced by spaza shop owners during their business operating periods?	Prices	(167)	(P1;P2;P3;P4;P5;P6;P7;P8;P11;P12)
	Stock	(153)	(P1;P2;P3;P9;P10;P11, P13)
	Credits	(88)	(P2;P7;P10;P11;P13)
Research question 2: Which business strategies are used by the spaza shop owners during their business operations?	Customer service	(81)	(P2;P3;P4;P6;P8)
Research question 3: What are the attitudes of spaza shop owners towards competitors?	Foreign nationals	(97)	(P1;P2;P3;P7;P10;P12;P13;P15)
Research question 4: How do spaza shop owners mitigate negative factors affecting growth, profitability, and sustainability?	Growth	(59)	(P1;P4;P9;P11)
	Profitability	(27)	(P1;P9;P13)

Source: Researcher's own construction

4.5 CHALLENGES FACED BY SPAZA SHOP OWNERS

The challenges faced by spaza shop owners are presented in three main themes. In addressing the first research question:

- 1) ***What are the challenges faced by spaza shop owners during their business operating periods?***

the data analysis yielded prices, stock and credits as the most frequently cited themes raised by participants in relation to the challenges faced by spaza shop owners in the EMM.

Table 4.3 presents the codes, categories and frequencies of the challenges faced by spaza shop owners.

Table 4.3: Challenges faced by South African spaza shops.

Categories	Themes	Frequencies <i>fi</i>	Participants	Participants quotations
PRICES	Prices	(167)	(P1;P2;P3;P4;P5;P6;P7;P8;P11;P13;P14)	P1:They reduce the prices, P14: They change their prices to whatever reason. P3: It will be a disadvantage to sell in a lesser price.
STOCK	Stock	(153)	(P1;P2;P3;P9;P10;P11;P13)	P3: They get their stock at a lesser price.P1: They don't get what they want. P2: The company that delivers they don't come on time.
	Not having enough stock	(46)	(P1;P2;P4;P10;P13)	P1: Not having enough stock. P10: Shortage of stock. P13: I don't have enough stock.
	Not working together	(37)	(P1;P5;P9;P12;P13;P14;P15)	P14: We are on our own. P15: We ended up fighting each other. P5:I don't have relationship with them
	Not attending training	(33)	(P5;P10;P13;P14)	P5:I have not attendant any business training, P10: I have not attendant anything. P13: not attendant any training prior to opening the business.
	Expired products	(25)	(P4;P10;P13)	P7: They end up expired. P2:Ended up throwing lot of stuff. P13:They delivered bread that is expired.
	Delivery	(23)	(P10;P4;P2)	P10: They are not delivering because we are not stocking

				enough. P4: Wholesalers are no longer like before. P2: They don't confirm your delivery and they are not coming on time.
CREDITS	Credit	(88)	(P2;P7;P10;P11;P13)	P7:When they come, they want credits. P10: Her children are still taking some products on credit. P13: They are loyal because they want credits.
	Not having money	(67)	(P1;P3;P9;P10;P12)	P1:When customers don't have money they plead for help. P5: They come to the shop whether they have money or not to negotiate. P12: They wake up without money to come and buy bread

Source: Researcher's own construction

4.5.1 Prices

The price *fi*(167) of the products was identified as the first most frequently cited theme mentioned and captured in the participants' own words. (See Appendix 2). According to the findings, (P1;P;P3;P4;P5;P6;P7;P8;P11;P12) reported prices as the challenge faced by spaza shops.

Participants mentioned the following:

P1: When you think of reducing the prices where you have bought your stock from your suppliers you won't make a profit out of that when you reduce the prices just like them.

P2: They put prices down so that you can go down and close and then they hike the prices later.

P4: They will sell cheap products compared to me and customers will be attracted by this cheap price.

In relation to the findings, consumers are price-driven as noted in subsection 5.3.7, Chapter 1. On the other hand, foreign national spaza shop owners make use of distribution networks to purchase a variety of items at low cost in bulk, which gives

them a competitive advantage over South African spaza shop owners (Liedeman, Piper & Petersen, 2013).

The findings indicate that South African spaza shop owners were having challenges with the pricing of products. The second challenge that affected spaza shop owners was the level of empty shelves in their shops.

4.5.2 Stock

Stock *fi*(153), according to the findings was reported to be the second most often cited theme that was a challenge faced by spaza shop owners. The themes associated with stock include not having enough stock *fi*(46), not working together *fi*(37), transport *fi*(36), not attending training *fi*(33), expired products *fi*(25), deliveries *fi*(23) and fake products *fi*(21). Figure 4.6 shows the themes that were discussed under this category.

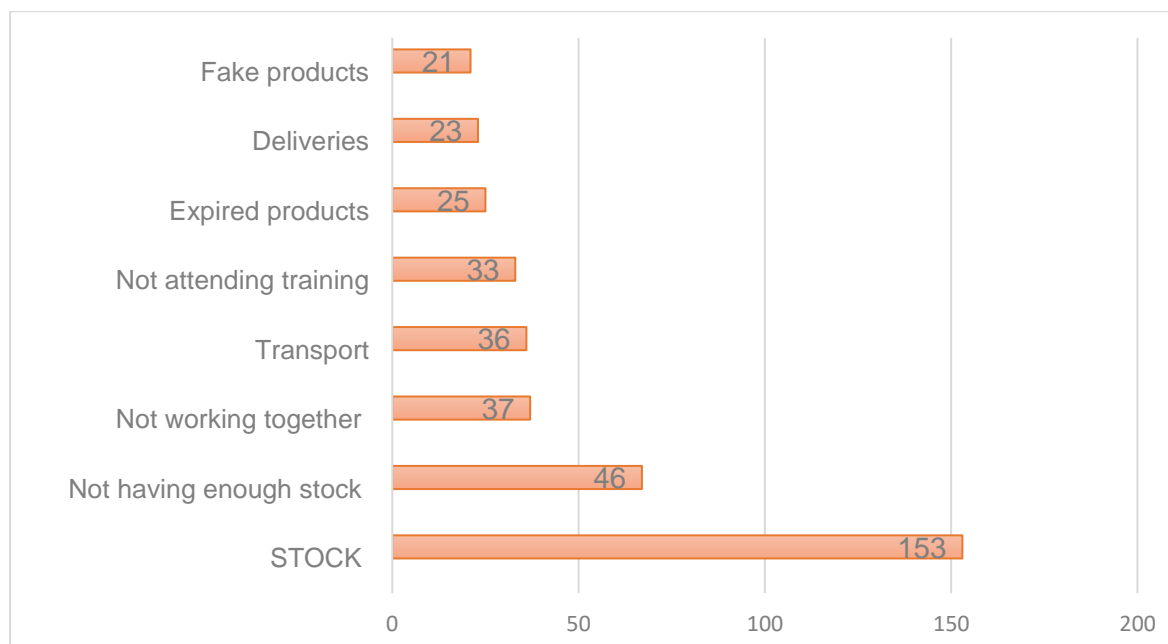


Figure: 4.6: Stock challenges faced by spaza shop owners

Source: Researcher's own construction

4.5.2.1 Not having enough stock.

Not having enough stock *fi*(46) on empty shelves was reported by five participants (P1; P2; P4; P10; P13) as a challenging factor for business operations.

Participants mentioned the following:

P1: *I have realised mostly is not having enough stock in our spaza shop. Some of the customers when they came to our spaza shop and need something and that product we don't have, especially for us local South Africans.*

P10: *Things are not going ok for our business, there is a shortage of stock, and we are battling a lot.*

P13: *I don't have stock and don't have the products that they are looking for. When doing stock taking in the container you just do it with the estimation from an empty shelf.*

The findings according to the participants *fi(67)* confirm what is found in the literature as discussed in Chapter 2, section 2.4.9. Because spaza shop owners buy stock in small quantities, an out-of-stock situation requires that the spaza shop owners should buy their stock frequently (Perks, 2010).

4.5.2.2 Not working together

Not working together *fi(37)*, was reported to be a challenge faced by spaza shop owners. According to the findings seven participants (P1;P5;P9;P12;P13;P14;P15) indicated that they cannot work together with competitors and other local spaza shop owners.

The participants reported:

P14: *Until the local spaza shop owners realise that we are on our own, then we would be able to work together and until we are having a same goal, we will be able to do that but for now we are not able to do that.*

P15: *The way local spaza shop owners behave it ended up in corruption within us because we ended up fighting each other because of the mismanagement of funds and so on but at the end we failed to work together for assisting each other.*

P5: *We don't concentrate much on the competitors. I don't have any relationship with them, we don't interact so, but you know in the location people are not in a good relationship with one another.*

In relation to the findings, South African spaza shop owners need to work together according to Moloi (2014), in a study conducted in Atteridgeville Tshwane. South African spaza shop owners operate in a weak social network (Liedeman, Piper & Petersen, 2013:4). A lack of trust is the reason why a group-buying initiative had failed (Charman et al., 2012). Chebelyon-Dalizu and Garbowitz. (2010) reported that low trust due to lack of communication was the reason for spaza shops being unable to work together, in a study conducted in Monwabisi Park in Cape Town.

4.5.2.3 Not attending training.

Not attending training *fi*(33) has been reported to be the challenge faced by spaza shop owners and affects the businesses negatively. Four participants (P5, P10, P13, P14) indicated that they did not have any kind of business training.

Participants mentioned the following:

P5: Nope, I have not attended any business training even my partner. My partner has not attendant any business training too.

P10: I have not attended any business training; I have not attended anything.

P13: I have not attended any training prior to the opening of the shop, and I have started the business because I love it.

In relation to the findings of the study, spaza shop owners who do not have any kind of business training have reported poor business performance. Spaza shops are created quickly without proper preparation and entrepreneurial dynamics (Chebelyon-Dalizu, Garbowitz, 2010). Spaza shops were opened by survivalist entrepreneurs who were forced to open the shops because of unemployment and poverty (Charman et al., 2012) as discussed in Chapter 2, section 2.4.10.

4.5.2.4 Expired products

Expired products *fi*(25) has been reported by the findings to be a challenge faced by spaza shop owners. According to the findings four participants (P2;P4;P10;P13) reported the expiring of products as the challenge that affected business operations. Customers tend to check the prices and the expiry dates prior to buying of products. The spaza shops that changed the expiry date were avoided by the customers.

Participants reported the following:

P7: When products are not selling, and they end up expired, we are supposed to throw them away that is affecting me.

P13: When delivering the bread and its expired, expired bread that is having the holes in the plastics, and they are burned from their oven that is the challenges that we are facing with the suppliers on our daily operations.

P2: Another thing that I will not forget there was a time that we never did a stock rotation and we ended up having to throw out lot of stuff that has expired without checking stock, so you know when you are loading stock in a rush, and you just put everything in the front and pushing everything to the back.

Regarding the issue of expired products, Tengeh (2013:4) recommends that spaza shop owners need to order products that are fast moving to avoid incurring losses on products which reach expiry dates.

4.5.2.5 Deliveries

Deliveries *fi*(23) were reported to be a challenge faced by spaza shop owners. According to the findings, participants three participants (P10;P4;P2) reported difficulties with the delivery of stock from suppliers.

Participants mentioned the following:

P10: They stopped delivering the drinks to us saying we are not stocking enough drinks for delivery so even that one become a challenge.

P4: They are not delivering for us anymore and the wholesalers are no longer like before.

P2: You will that you are having problem with suppliers, you know when you use suppliers that deliver stock, and they don't come in time. They don't even confirm your order of what time your stock is coming.

Participants explained that in the past, items that were delivered directly to spaza shops from suppliers, especially bread, milk, soft drinks, and sugar but these deliveries had stopped more recently, leaving spaza shops worse off in terms of market access, referred to in section 2.2.3 of Chapter 2 (Piper & Yu, 2016).

4.5.3 Credits

Credit *fi*(88) was the third most frequently cited theme that was a challenge faced by spaza shop owners. Credit includes codes such as not having money with a *fi*(67).

According to the findings, six participants (P2;P7;P10;P11;P13;P14) indicated that they were giving credit to their customers.

Participants mentioned the following:

P7: Local customer as you know when they come, they want credits, and they know very well that they won't get credit from the foreign nationals spaza shop owners.

P10: Customer was our neighbour just across the street she was also taking credit, but she was not reliable when it comes to payment, and we ended up closing that facility of credit but even now her children are still taking some products on credit.

P13: *They are loyal because they get credit and then they pay and sometimes they take their time to pay so they have their freedom to do what they want, for me because I am desperate.*

The finding was that spaza shop owners do not have any control over the repayment of the credits that were owed by customers. Customers tend to request credits from spaza shop owners by indicating that they do not have money to buy products.

4.5.3.1 Not having money

Not having money *fi(67)* was reported as a challenge to spaza shop owners. eight participants (P1;P3; P9;P10;P12;P13;P5;P14) reported in the findings that customers not having money affects their spaza shop operations negatively.

Participants reported that customers usually come to the shops and request some groceries, and they promise to pay back because they do not have money, or they will pay whenever they get money.

Participants mentioned the following:

P1: *When customers don't have money and plead for help from me, I do help them. What I mean some of the times people normally don't have money every time.*

P5: *Whether they have money or not they come to our shop to negotiate when they don't have money.*

P12: *When a customer wakes up without a money to buy a bread or they have something that they need, and they will get their salary on the month end, I still do that by giving them what they want.*

Participants reported being unable to refill their stock and buy products in bulk because the credit was in the hands of the customers. Participants have given credit to the customers which is a challenging factor that hinders the business growth and profitability of the spaza shops. When customers do not pay off their credits to the business, the spaza shop suffers, even to the point of closing its doors.

Figure 4.7 highlights the five most cited codes in the study and section 4.5.4 discusses the challenges faced by spaza shop owners into details The findings identified five most challenging factors faced by spaza shop owners: price, stock, credits, not having enough stock and customers not having money. These are presented in Figure 4.7.

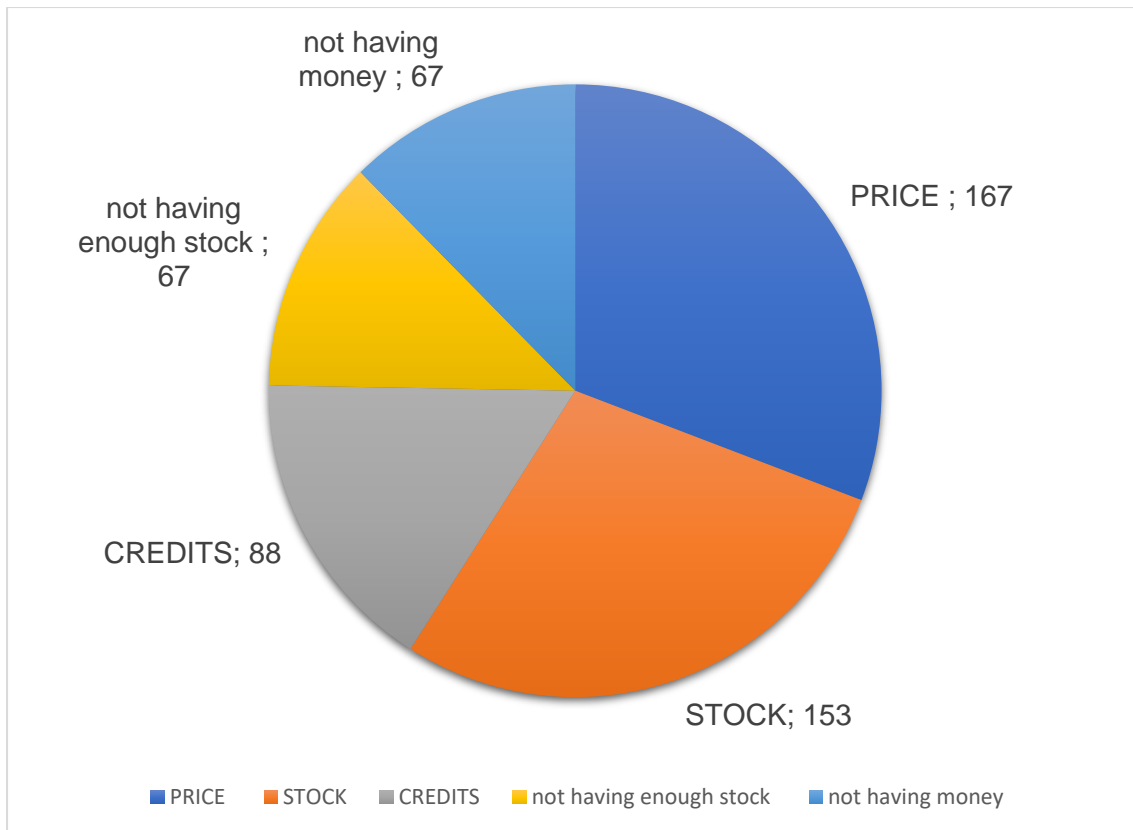


Figure: 4.7: Five challenging factors faced by spaza shops owners

Source: Researcher's own construction

4.5.4 Discussion of challenges faced by spaza shop owners

The challenges faced by spaza shop owners which includes the pricing of the products *fi*(167), stock *fi*(153), unavailability of stock *fi*(46), credits facility *fi*(88), not having money to buy products *fi*(67), delivery *fi*(23), expired products *fi*(25), not working together *fi*(37) and not attending training *fi*(33).

The price *fi*(167) of products was reported to be the main challenge affecting the growth and profitability of spaza shops. Participants reported a negative impact of product pricing in their spaza shops. incorrect product pricing and poor pricing leads to business failure (Justino, 2015) setting the prices down to attract customers due to competitive pressure results in business failure (Holt, 2013).

P5 cited *fi*(23) counts, P3 cited *fi*(20) counts, P8 cited *fi*(12) counts of pricing as a challenge, P11 cited *fi*(12) counts, P6 cited *fi*(11) counts and P12 cited *fi*(11) counts. In relation to the findings, McEwan, Hughes and Bek (2015) confirms that pricing has

a major influence on the purchasing decision especially on staple food such as bread, milk, eggs, and maize meal. Consumers are more concerned with price than with the nationality of the spaza shop owner (Charman et al., 2012).

Stock *fi(153)* was reported to be the next most cited theme in the findings. P10 cited *fi(27)* counts, P13 cited *fi(18)* counts, P3 cited *fi(17)* counts, P1 cited *fi(16)* counts and P2 cited *fi(15)* counts. The unavailability of stock led to a high level of empty shelves in the spaza shops.

Credit *fi(88)* was found to be the third challenging factor affecting the growth and profitability of spaza shops. P10 cited *fi(17)* counts, P2, cited *fi(14)* counts, P7 cited *fi(9)* counts, P13 cited *fi(8)* counts and P1 cited *fi(8)* counts. Participants were giving credit to their customers, but credits owed to the spaza shops was regarded as a challenge to spaza shop daily operations. Business owners failure to collect bad debt from the customers results in business failure (Justino, 2015).

Customers not having enough money *fi(67)* was cited as the fourth challenging factor affecting spaza shops owners. P10 cited *fi(24)* counts, P3 cited *fi(9)* counts, P1 and P12 both cited *fi(6)* counts. Participants explained that customers visited their shops and complained that they do not have money to buy products, which resulted in the challenge faced by spaza shop owners.

Not having enough stock *fi(46)* was reported in the findings to be the fifth challenging factor faced by spaza shop owners. P10 cited *fi(9)* counts P1 and P13 cited *fi(8)* counts and P2 and P4 cited *fi(5)* counts. Participants reported in the findings that not having enough stock in their shops affected their daily operations negatively.

According to the findings not working together *fi(37)*, not attending training *fi(33)*, expired products *fi(25)* and delivery problems *fi(23)* were reported to be additional challenging factors faced by spaza shop owners. These are discussed in the following paragraphs.

Not working together *fi(37)*, was reported to be a challenge faced by spaza shops owners. P13 cited *fi(8)* counts, P1 cited *fi(7)* counts, P9 and P12 cited *fi(4)* counts. Spaza shop must form a joint venture and work together so the grow their businesses collectively (Moloi, 2014).

Not attending training *fi(33)* has been reported in the findings to be a challenge faced by participants. P13 cited *fi(8)* counts, P10 and P14 cited *fi(6)* counts and P5 cited *fi(5)* counts. According to the findings, not having training prior to the opening of the spaza shops was a challenge that affected business operations negatively. By having a basic knowledge of business training while dealing with customers and money tends to improve the performance of the business (Moloi, 2014).

Expired products *fi(25)* were reported as a challenge that affects spaza shop owners negatively. P4 cited *fi(10)* counts, P10 and P13 cited *fi(3)* counts. In relation to the findings, Bowen, Morara and Mureithi. (2009) advised that the business cannot survive without a business strategy which includes special offers, discounts, high quality customer service and offering a variety of products. Spaza shops are to order products that on demand. Emphases should be directed on products on high demand (Anon, 2015).

Deliveries *fi(23)* of products from the suppliers was reported to be a challenge faced by spaza shop owners. P10 cited *fi(2)* counts and P4 cited *fi(1)*, while the remaining participants made no mention of deliveries from the suppliers. According to the findings, participants have not taken advantage of deliveries from the suppliers. Deliveries of products from the suppliers was not fully utilised by spaza shop owners. In relation to the findings, poor access to suppliers means that spaza shop owners must make use of public transport or privately-owned cars to transport purchased stock from their suppliers to the shop as noted in Chapter 2, section 2.4.9 (Moloi, 2014).

The next section details the business strategies that were used by spaza shop owners for their business survival.

4.6 STRATEGIES USED BY SPAZA SHOP OWNERS

Spaza shop owners reported in the findings having business strategies that they used in their businesses. The findings present the business strategies that were used by the spaza shop owners for survival.

In addressing the second research question:

2) Which business strategies are used by the spaza shop owners during their business operation?

the customer service category *fi*(81) was reported to be an effective business strategy used by spaza shop owners during their business operating times. Customer service had two themes which were discussed in detail, namely working together *fi*(50) and having loyal customers *fi*(41).

Table 4.4 lists business strategies used by spaza shop owners during their business operating times.

Table 4.4: Business strategies used by spaza shops owners.

Category	Themes	Frequencies	Participants	Participants quotations
CUSTOMER SERVICE	Customer service	(81)	(P2;P3;P4;P6;P8)	P4: I take care of my customers. P2: Customer service is my number one priority. P8: I give them the best service ever
	Working together	(50)	(P1;P3;P13)	P1: We are helping each other. P3: They are successful in their business because of helping each other. P13: So we can work together.
	Loyal customers	(41)	(P2;P3;P6;P8)	P2: I have plenty of loyal customers. P3:I do have loyal customers. P10: They come every day to buy that one thing.

	Airtime	(31)	(P3;P13;P8;P10)	P13: It has brought lot of customers. P3: We know what airtime they use. P10: If a customer likes to buy an airtime.
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Source: Researcher's own construction

4.7 CUSTOMER SERVICE

Customer service *fi(81)* was cited by five participants (P2;P3;P4;P6;P8) in the findings as being the backbone of their businesses, something which kept their businesses in operation.

Participants mentioned the following:

P4: I take care of them and the way I have taught my employees on how to treat the customers. You normally smile when you serve the customer.

P2: Customer service is number one priority and we are not compromising it at all.

P8: Giving your clients a best service ever and giving them a competitive price, you know once people feel that they are appreciated by given a best service and been given value for their money then you've got your customers.

According to the participants, they gave their customers excellent customer service, which led them to retain their customers. In relation to the findings, customer service *fi(81)* is a major driver for attracting and repeating customers (Hare, 2017).

4.7.1 Working together.

In the findings, working together *fi(50)* was mentioned by three participants (P1; P3; P13) who had been working together with other spaza shop owners.

Participants mentioned the following:

P1: We have this one who is distance, but we are trying to help each other if we go and stock, we organise money together for transport and stock together, it's the only one local spaza shop owner whom we work together with.

P3: *The reason why mostly I talk to the foreign nationals is because they are successful in their businesses. What I will tell you is that these people what makes them succeed is that they are helping each other in what they are doing, and they buy stock in bulk.*

P13: *The person I have talk to is my neighbour's daughter just next to me. I have tried to talk with her so we can work together.*

Working together *fi*(50) was reported to be an effective business strategy that is used by spaza shop owners.

4.7.2 Loyal customers

Having loyal customers *fi*(41) was reported in the findings to be a business strategy used to sustain the businesses operations. Customers were the reason for the existence of the business, especially loyal customers, who “run in the blood of the business”. Four participants (P2;P3;P6; P8) reported that they have loyal customers.

Participants mentioned the following:

P2: *I have plenty of loyal customers, they come more than four times a day, that tells you that the customer is a loyal customer.*

P3: *I do have loyal customers, I do have people whom I know that every time I am in the shop, they are there to buy their products.*

P10: *You get people who come every day to buy that one thing. The other loyal customer are my relatives whom I have a personal relationship with them so most of the time we hang up together with those people and they are regarded as loyal customers to me.*

Businesses are focusing on customers loyalty and keeping them rather than keep on searching for new customers (Marr, 2013).

4.7.3 Airtime

Airtime *fi*(31) was cited by four participants(P13;P3;P8;P10) as a business strategy to attract and retain customers who frequently visiting spaza shops.

Participants mentioned the following:

P13: *I am selling electricity and airtime and I don't put any profit in the sale and it has brought lot of customers from far to visit my shop so when they come and buy they can find out about other things that I am selling.*

P3: *Most of the parents, as I said we already know them, and we know when they send their children which airtime they use*

P8: *For every airtime that I sell in my shop I don't add a service fee, most shops when they sell five rands airtime they charge people six rands.*

P10: *If a customer likes to buy an airtime, or they like to buy one voucher for gambling so usually you get people who comes to my shop.*

4.7.4 Discussion of strategies used by spaza shop owners

Customer service *fi(81)* was the business strategy used by respondents to sustain their businesses. Working together *fi(50)* with South African spaza shop owners and foreign nationals was indicated by three participants (P1;P3;P13). Participants reported the importance of working together with other spaza shop owners and competitors.

In the findings, participants reported loyal customers *fi(41)* as the reasons for their business existence. Participants used the business strategy of customer service, loyal customers and working together to sustain their spaza shops. Airtime *fi(31)* cited by P13 with *fi(9)* counts and P3 cited *fi(6)* counts was the strategy used to attract customers to frequently visit the shops for airtime vouchers.

The next section details the attitudes of spaza shop owners towards competitors. Participants presented their perspectives on competitors and how competitors affect their spaza shops operations.

4.8 PERSPECTIVES OF SPAZA SHOP OWNERS ON COMPETITORS

Spaza shop owners reported foreign nationals as being their main competitors. Competition from foreign nationals is a significant challenge facing spaza shop owners according to the findings, together with attitudes of South African spaza shop owners.

In addressing the third research question:

3) *What are the perspectives of spaza shop owners on their competitors?*

the findings showed that spaza shop owners perceived foreign nationals *fi(97)* as individuals who were affecting the growth and profitability of spaza shops. Perspectives of spaza shop owners on competitors included themes such as closing the shops *fi(31)*.

Table 4.5 provides the codes and themes regarding the perspectives of spaza shop owners on competitors.

Table 4. 5: Perspectives of spaza shop owners on competitors

Categories	Themes	Frequencies	Participants	Participants quotations
FOREIGN NATIONALS	Foreign nationals	(97)	(P1;P2;P3;P9;P7 P10;P12;P13;P15)	P13: problem started when they entered the location. P15: Things are not easy to work in this situation. P12: Since we are having these foreign nations we are struggling a lot.
	Closing shops	(50)	(P1;P2;P5;P14)	P1:They are doing so I can close my business. P2:They put prices down so that you can go down and close . P5:They want to close the business of one another.

Source: Researcher’s own construction

4.8.1 Foreign nationals

Spaza shop owners who were not South African were regarded by the participants in this study as foreign nationals. The perspective of South African spaza shop owners (P1;P2;P3;P7;P10;P12;P13;P15) was that foreign nationals *fi*(97) were their main competitors.

Participants mentioned the following:

P13: I had a problem when the foreign nationals spaza shop entered the locations, that is when I had the problem, so things were not going well for me.

P15: These foreign nationals since they came, things are not easy and to work in the situation which is no longer the same as the previous situations. When the foreign

nationals enter the spaza shop industry local spaza shop owners gave away their businesses to the foreign nationals for renting.

P12: Since we are having these foreign nationals spaza shops we are struggling a lot. it is difficult, maybe in future they will remove all the foreign nationals spaza.

According to the findings, local spaza shop owners were not ready for intensive competition from foreign national spaza shops, and they were unable to respond accordingly. In relation to the findings, South African spaza shop owners were not competing with a single entity but with a multiple of small informal shops who form an invisible matrix in the economy, as noted in section 2.4 of Chapter 2 (Alcock, 2016:2).

By contrast, foreign national spaza shops are owned by shareholding agreements or by a single individual with several stores at strategic locations, positioned to compete directly with established South African spaza shops as discussed in Chapter 2, section 2.4.7 (Tengeh & Mukwarami, 2017:64).

Foreign national spaza shop owners in the Western Cape stated that their top trade practices include buying from wholesalers, sharing transport costs and collective investment in multiple shops (Gastrow & Amit, 2013). Paulk (2015) suggests that a group of people who migrate to a new place are more likely to work together for their collective benefit by forming strong social networks.

4.8.2 Closing of shops

According to the findings, closing of shops *fi*(50) meant that participants believed that foreign nationals were opening their shop with an intention of closing the existing local spaza shops, as mentioned by four participants (P1;P2;P5;P14).

Participants mentioned the following:

P1: They will sell Sunbake again for R13, knowing that I have closed the shop for operation. They are doing this so I can lose my business after I close my shop and they have already attracted lot of customers. They don't want to see a spaza shops of local South Africans.

P2: Once they start building their stores, they put prices down so that you can go down and close and then they hike the prices later.

P5: People are not in good relationship with one another, they pretend to each other, and they want to close the business of one another.

In relation to the findings, the shops owned by foreign nationals have positioned their businesses to compete directly with established South African spaza shops, They use price discounting as a strategy to capture the market share from the existing South African spaza shops and manage to offer goods at a lower price as mentioned in section 2.4.7 Chapter 2 (Tengeh & Mukwarami, 2017:64). Spaza shops have closed their businesses owing to foreign nationals spaza shop competition (Charman et al., 2012). The participants' perspective attitude towards competitors suggests that local spaza shop owners were not ready to compete with foreign nationals.

4.8.3 Discussion of perspectives of spaza shop owners on competitors

In the findings regarding foreign nationals *fi*(97), P13 cited *fi*(16) counts, P1 cited *fi*(11) counts, and P12 cited *fi*(11) counts on foreign national spaza shop owners. According to the findings, participants perceived foreign nationals as their main competitors and the reason for their spaza shops' poor performance.

In terms of the closing shops' themes *fi*(50), P5 cited *fi*(12) counts, P1 cited *fi*(9) counts, and P2 and P14 cited *fi*(7) counts. Participants reported in the findings that foreign nationals had opened their spaza shops to close down the existing shops in the location. The next section details ways of mitigating negative factors affecting growth and profitability of spaza shops.

4.9 MITIGATION OF NEGATIVE FACTORS AFFECTING SPAZA SHOPS

In addressing the fourth research question:

4) How do spaza shop owners mitigate negative factors affecting growth, profitability, and sustainability?

participants were asked to give recommendations to balance the negative factors affecting growth, profitability, and sustainability of spaza shops. according to the findings, participants suggested that growth was the way to mitigate the negative factors.

Growth *fi*(59) includes the themes of savings *fi*(66), investment *fi*(46), attending training *fi*(45), ownership of shop *fi*(45), rent *fi*(40), technology *fi*(29), and suppliers *fi*(48).

Table 4.6 provides details of the mitigating negative factors affecting spaza shops growth, profitability, and sustainability of spaza shops.

Table 4.6: Mitigating negative factors affecting growth, profitability, and sustainability

Category	Themes	Frequencies	Participants	Participants quotations
GROWTH	Growth	(59)	(P1;P4;P9;P11)	P1: We do want to see growth. P15: business plan is to see growth. P8: looking to open another spaza shop.
	Savings	(66)	(P2;P3;P6;P8)	P2: Its much easier to save and invest. P11; The remainder of the money must go to the bank. P4: Bank showed me how to handle the funds of the business.
	Investment	(46)	(P4;P9;P10;P14)	P4: I got the container and I work on that container. P6: I have invested in that equipment. P8: I went and invested in that computer program.
	Attending training	(45)	(P1;P2,P12)	P1: I went to go to the workshops from the government people. P2: Attendant courses and seminars. P9: We trained how to manage business.
	Ownership of shops	(45)	(P4;P6;P8;P9;P12; P13;P14;P15)	P4: My spaza shop I make a living out of it. P8: I am not renting its my property. P12: I am the owner of the shop.

	Rent	(40)	(P3;P5;P6;P9)	P6: I saw the space in the premises that I am operating at. P3: We are renting the place where we are operating. P5: We are renting the premises, we are paying rent.
	Technology	(29)	(P2;P6;P3;P8)	P2: We got the system that load our stock. P6: Facebook page helps me a lot. P8: I got a seven-point-five software and purchased POS system 32.
	Suppliers	(48)	(P4;P5;P11;P12;P13)	P9: Where I buy, I also get discounts. P11: I am a member on one of my suppliers. P6: I will normally go where they make their purchase.

Source: Researcher's own construction

4.9.1 Growth

Growth *fi*(59) was cited by six participants (P1; P4;P8;P9;P11;P15) in the findings.

Participants mentioned the following:

P1: We do want to see growth as spaza shop owners in future, we want to grow to be a supermarket or to extend it on the other side of the location. We like to open other shops and have other sides of the business in different areas and when we do that, we can employ other peoples in the area and in return I will become a businesswoman with different businesses and employ more people.

P15: My future business plans are to see growth within the business despite the current challenges. To see sustainability and to have a business that will help in a high rate of unemployment in our country.

P8: *I am looking to open another spaza shop and I would really love to have at least five in the next four years, if I would have five that I will see as growth because it would make my reserves to grow quicker because I need those reserves to grow.*

Participants commented that they aspired to growing their businesses in future. They reported that growth of their spaza shops could happen through extending the spaza shops into a supermarket, franchise, or opening more shops in future.

4.9.1.1 Savings

Participants pointed out that through saving funds from the business operations, they could mitigate negative factors affecting spaza shop growth, profitability, and sustainability. The subject of savings *fi*(66) was brought up by six participants (P2;P3;P4;P6;P8;P11). The ability of business owners to handle money can help improve the business operation of spaza shops and reduce significantly the high failure of spaza shops in South Africa (Fakoti & Oni, 2016).

Participants mentioned the following:

P2: *We registered the business now and opened the bank account for the business, so it's much easier to save the money and invest.*

P11: *There is no other way but the bank, the remainder of the finance must go to the bank.*

P4: *I save with Standard bank from 1996 and I got the financial advisor from the bank who showed me how to handle the funds of the business.*

The findings indicated that savings in the spaza shops were important. Spaza shop owners used savings for growth and sustainability to mitigate negative factors affecting spaza shops.

4.9.1.2 Investment

The importance of investment *fi*(46) was mentioned by six participants (P4;P6;P8;P9;P10;P14).

Participants indicated the following:

P4: *My spaza shop is something that I make a living out of it. I was so lucky I got the container and I work on that container.*

P6: *I have invested in that equipment so that when one machine is not working then the other one is working, and they know that I am always online.*

P8: *I went and invested in a computer program and purchased a POS system 32.*

Participants explained that they had made all kinds of investments in their spaza shops from investing in buildings, containers, land, machinery, computer programs, to banking investments.

4.9.1.3 Business training

The findings demonstrated that all spaza shop owners who had taken part in business training *fi*(45), have shown positive results in their business performance. Four participants (P1;P2;P9;P12) confirmed that they had attended training prior to their opening of spaza shops.

Participants mentioned the following:

P1: It used to be workshops and those people were from the government and they used to hold the workshops on Wednesdays. To find more knowledge in dealing with challenges especially when you are running a business, to know how to make profit and to know also how you handle the business.

P2: We attended course like many I cannot recall which one to be on point. We have been doing courses and attending seminars.

P9: I was trained by the company called A to Pay, we trained how to manage business and how to deal with customers.

Business training is important to assist and enable the spaza shop owners to run the business effectively. Spaza shop owners who were running their business successfully showed that they could adapt to technological advancement to sustain the business. In relation to the findings, a higher level of education generally influences the probability of an individual becoming a successful entrepreneur (Preisendörfer & Bitz, 2012). Individual experience and education both play an important role in the expansion of the business (Charman, 2017). Business studies in educational higher institutions denied entrepreneurs to acquire significant business management skills to sustain their businesses (Zinga, Coelho & Carvalho, 2013). Education, business skills training and mentorship is significant to the prosperity of business operations (Sharpe, 2013:458). The involvement in embarking in training and business skills will sustain the business (Peters, Van Gensen, Issacs, Botha & Nacker, 2014).

4.9.1.4 Ownership

According to the findings *fi*(45), eight participants (P4;P6;P8;P9;P12;P13;P14;P15) were the owners of their spaza shops. They took pride in the ownership of their businesses.

Participants mentioned the following:

P4: My spaza shop is something that I make a living out of it and I am the owners of the spaza shop.

P8: I am the owner of a shop Bolavat 1 and Bolavat 2. This year early I moved the shop to my own residential home. I am not renting it is my property.

P12: I am the owner of the spaza shop and the founder of this corner tuck shop but now registered.

The findings demonstrate that spaza shop owners who own their shops have an advantage in taking full control of the business activities.

4.9.1.5 Rent

Rent *fi*(40) of participants was reported by four participants (P3;P5;P6;P9) in the findings. Participants rented garages because they provide a large trading space on the premises and visible exposure to customers. Spaza shop owners who have identified the perfect space for businesses in the garages, have rented the garages which are strategically located in the busy area with a large movement of customers.

Participants mentioned the following:

P6: I saw the space in the premises that I am operating at, and it was vacant land by then. I spoke to the owner of the stand that I want to start the business in his stand. It's been nine years I still rent the premises and I am doing rent to buy.

P3: We are renting the place where we are operating but we would like to have our own place in the future.

P5: Where we are operating, we are renting the premises, we are paying rent monthly.

The findings indicated that four participants are operating in garages. These garages are suitable for trading and strategically positioned for business exposure. The rented garages accommodate many customers during both rainy days and hot days. Customers can stand in the front of the garage while waiting for their order.

4.9.1.6 Technology

Technology *fi*(29), was found by participants to improve business performance. According to the findings, five participants (P2;P3;P6;P8;P9) reported that the growth of the spaza shops depends on technology.

Participants mentioned the following:

P2: We got the system that we load our stock, when you get your stock you load it on the system, price it and then after pricing it you work out your stock pricing and your

profit and automatically you just scan whatever item that you bought so you will know exactly how much money you made for stock and you will know how much profit you have made and how much stock is left on the shop.

P6: Facebook page helps me a lot because anything that I introduce in the shop it becomes cheaper and I post it so that people do not go to our competitors.

P8: I got a seven-point-five because I did not want to do a lot of maths, so I invested and purchased POS system 32. The system charges the value of the product that you have bought plus seven-point-five per cent, then you get the value to charge the customers.

The findings suggested that technology advancement enables the spaza shops to grow and become more profitable. Adaptation to ever-changing times and technological advancement was found to facilitate a successful business performance. Participants have taken an advantage of technology to run their business successfully. Spaza shop owners indicated in the findings that profit is the key to business success. Technology and innovation have a positive impact on the business survival (Amah, 2017). Entrepreneurs who are embarking of technological initiatives and innovations have a better chance of offering their customers a satisfactory experience (Muhammed, Nadeem & Muhammad, 2015). Business who are innovative have the ability to adapt to changing situations more than those who are not innovative (Chononye, Maxwell, Mosunmola, Mayowa & Fred, 2016).

It is important to identify good suppliers and wholesalers to give spaza shop owners discounts and special offers, enabling spaza shop owners to sell at a lower price and generate profit.

4.9.1.7 Suppliers

Finding good suppliers fi(48) was indicated by participants, who were operating their spaza shops successfully, as a way of reducing negative factors that affect the growth, profitability, and sustainability of spaza shops. A total of seven participants (P4;P5;P6;P9;P11;P12;P13) reported having used their suppliers effectively.

Participants mentioned the following:

P9: I am buying at Super Saver, where I buy, I get also get discount you know what I mean. The prices that I see on the shelves of the supplier when I go and buy my stock is not the price that I am going to pay, you know, when I get to the till, I am buying from

where this place is it's in Springs, they call it Super Save so that place is very cheap so are my prices. I get the discount because I got a customer number and stuff with them because I buy my stock twice a week now that means somewhere somehow, I am doing well.

P11: I am a member on one of my suppliers where I been even given credit to take stock on credit and pay within the next fourteen days. So yes, I will say I am a registered member with my wholesaler. To buy from the wholesaler that will give you a good pricing so that you can also come back and give customers a good price while making your profit as well. You need to buy from the wholesaler that gives you a good pricing so that you can also come back and give customers a good pricing while making profit.

P6: I need to know how they run their businesses and I will go normally where they make their stock, and I will see the kinds of products they are selling and even some of them they come and buy from me.

In the findings, participants reported that they were on the database of the suppliers and were giving discounts and reduction of prices on their purchases. Finding good suppliers and wholesalers mitigates the negative factors affecting growth and profitability of spaza shops.

Three participants (P9;P11;P6) reported that they have registered with the suppliers and wholesales, they were able to take advantage of credit facilities that were offered to them, specials, monthly discounts, promotion, price cuts, bulk-buying discounts, competitions, and free deliveries.

4.9.2 Discussion of mitigating negative factors affecting spaza shops

Growth *fi*(59) was reported by five participants (P1;P4;P9;P11;P15) as being necessary in their business for business sustainability and expansion. Four participants (P2;P3;P6;P8) explained that they had effectively deposited their savings *fi*(66) from the spaza shops into banking institutions. Investment *fi*(46) was mentioned by four participants (P4;P9;P10;P14) who had invested for their spaza shop in the form of property, technology, equipment, and land.

Attending training *fi*(45) was cited by three participants (P1;P2;P12) who attended trainings prior to the opening of their spaza shops. Five participants (P2;P6;P3;P8;P9) cited the importance of technology *fi*(29) in their spaza shops and the adaptability of technology towards a changing business operation.

Ownership *fi*(43) was reported by eight participants (P4;P6;P8;P9;P12;P13;P14;P15) who mentioned the liberty of owning their business and the pride they took in their business. Rent *fi*(40) was mentioned in the findings by four participants (P3;P5;P6;P9) who cited the strategic position of rented properties that gave exposure to their customers. Five participants (P4;P5;P11;P12;P13) reported using the positive impact of having good suppliers for their spaza shops. Participants indicated that by identifying good suppliers, spaza shops owners were able to buy products at a lower price and sell the product at the lower price to their customers while making a profit for the spaza shop.

4.10 CONCLUSION

This chapter presented the findings of the research study from 15 online interviews conducted with spaza shop owners in the EMM. The findings were related to the secondary research questions as stated in Chapter 1, with the main aim of understanding factors that are affecting growth and profitability of spaza shop owners in the EMM.

The findings highlighted three main categories of challenges faced by spaza shop owners, these being price *fi*(167), stock *fi*(153) and credits *fi*(88), with two subcategories of not having stock *fi*(67) and not having money *fi*(67). Participants were affected by the pricing of the products. The unavailability of stock in their shops, and credits offered to customers affected their spaza shop performance negatively, and customers approaching the spaza shops without money has affected the growth and profitability of spaza shops.

Responses to the second research question indicated that some participants used business strategies for the survival and sustainability of their spaza shops. These strategies included offering good customer service *fi*(81), maintaining loyal customers *fi*(41) and working together *fi*(50). Participants reported the positive impact of spaza shop performance when these business strategies were used effectively.

Findings in response to the third research question regarding the perspectives of spaza shop owners demonstrated that foreign nationals *fi*(97) were perceived as the main competitors of local spaza shop owners and had negatively affected their

businesses. Close the shop *fi(50)* was cited by some participants as the strategy used by foreign nationals to close down their existing spaza shops. This perception was cited by P5 with *fi(12)* counts, P1 with *fi(9)* counts, and P2 and P14 each with *fi(7)* counts.

Findings in response to the fourth research question reported growth as being necessary to mitigate a negative factor affecting the sustainability of spaza shops in the EMM. Growth *fi(59)* according to the findings has been cited by P9 cited (7) counts, P4 and P15 cited *fi(6)* counts and P1 and P11 with *fi(5)* counts. Growth was not effectively utilised by participants as a mitigative negative factor affecting profitability and sustainability of spaza shops. Participants reported in the findings that they needed growth in their spaza shops for expansion and sustainability, but they were not utilising the growth of the spaza shops effectively.

P14 cited investment *fi(46)* with *fi(10)* counts, P4 cited *fi(7)* counts, P10 cited *fi(6)* counts and P9 cited *fi(5)* counts. The findings indicated that participants had effectively invested in the spaza shops. Participants managed to invest in various business opportunities, these being land, property, money, and technology.

Savings *fi(66)* was cited by P2 with *fi(11)* counts, P3 cited *fi(9)* counts, P6 cited *fi(6)* counts, and P8 cited *fi(5)* counts. The findings indicated that participants had used their savings effectively and managed to use financial institutions to save their funds.

Attending training *fi(45)* prior to the existence of their business, P1 cited *fi(8)* counts, P2 cited *fi(6)* counts and P12 cited *fi(5)* counts. Participants who attended training prior to the opening of spaza shops had seen a positive business performance.

Eight participants, (P4;P6;P8;P9;P13;P13;P14;P15) reported owning shops *fi(43)*, and they took pride in their business affairs. Regarding rent of garages *fi(40)*, P3;P5;P6;and P9 reported renting the premises due to the large trading space and strategical positioning of the premises on serving the customers.

Technology *fi(29)* was mentioned by P2 who cited *fi(9)* counts, P6 cited *fi(6)* counts and (P3; P8; P9) cited *fi(3)* counts. The participants confirmed the effectiveness of using technology in their spaza shops. Participants indicated the importance of technology in ever-changing times. The next chapter presents the conclusions and

recommendations emanating from the research findings and indicates areas for further research.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The conclusion and recommendations chapter of this research is intended to assist spaza shop owners in addressing the factors that are affecting the growth, profitability, and sustainability of their spaza shops in the EMM. An overview of the research is provided, together with a discussion of the research's critical findings in conjunction with the research objectives. Personal reflections on the research, avenues for future studies, and the limitations of the present study are also addressed in this chapter.

5.1.1 Overview of the research

Spaza shops in South Africa were created in response to the lack of formal employment opportunities, high level of unemployment and poverty in the past. They were opened by both opportunity entrepreneurs and necessity entrepreneurs. It was found that spaza shops were able to sustain the livelihoods of the owners, feed their families, and serve the township community in which these shops were operating. However, through the years, spaza shops owners have encountered factors that were affecting their growth and profitability of their businesses.

The purpose of the study was to understand the challenges faced by spaza shop owners. Participants in the study reported on the five most serious challenges faced by spaza shop owners, namely prices, stock, credits, not having stock and not having money. Competition has been reported to be a challenge according to the perception of participants, and not attending business training prior to the opening of spaza shops has also been reported in the findings to be affecting the business negatively. On the other hand, South African spaza shop owners were able to implement business strategies for their business survival for periods of five years and more.

Furthermore, the researcher noticed that initially when locating spaza shops in the interview locations, it seemed as if they were no longer available or in existence. However, on further investigation, the researcher realised that there were plenty of

South African spaza shops and that owners were proudly running their businesses effectively.

This chapter provides the conclusions and recommendations which were derived from the findings of the research study regarding understanding the challenges affecting the growth and profitability of spaza shop owners in the EMM.

5.1.2 Research objectives

The objectives of the research were to:

1. understand the challenges faced by the spaza shop owners during their business operating periods;
2. describe the business strategies used by spaza shop owners during their business operations;
3. understand the spaza shop owners' perspective on competitors; and
4. make recommendations on how spaza shops can mitigate the negative factors which are affecting growth, profitability, and sustainability.

It was found that there are many factors which are adversely affecting spaza shop, Therefore, it is important to single out, summarise, and discuss the findings of the most significant factors.

5.2 CONCLUSIONS

The conclusions are discussed in response to each research objective. The main objective of the study was to understand the factors that are affecting the growth and profitability of spaza shops in the EMM.

5.2.1 Challenges faced by spaza shop owners.

The findings were as follows:

- Spaza shop owners were unable to reduce their prices because of loss of profit in their business. The pricing strategy that was used by South African spaza shop owners does not appeal to their price-sensitive customers and has been regarded as selling at a higher price. Customers tend to purchase their products

where prices are low and affordable. The pricing of products has been indicated by the study as the highest factor that is affecting the growth and profitability of spaza shops.

- Spaza shop owners are unable to search for different suppliers rather than focusing on one supplier. The difficulty of South African spaza shop to identify suitable suppliers at a low price affects their business operations due to their inability to offer reduced prices, promotions, and discounts to customers.
- Not having stock enough stock on the shelves affects the business negatively because customers are not interested in visiting an empty shop and not finding what they are looking for. Spaza shop owners have no choice but to reduce their prices as to keep their customers and that resulted in high level of unavailable stock in the spaza shops. Spaza shop owners according to the interview data reported having difficulty on putting a variety of products in their shops that appeals to customers. The identification of affordable stock as reported to be the challenging factor that affects the growth and profitability of spaza shops operation. Spaza shop owners indicated that they offer substitute products to the customers and regard the products as fake products because of their brand loyalty. Customers were no longer buying cigarette like Stuyvesant, and they opt for lower brand cigarette like sharp because of pricing and affordability.
- Fourteen spaza shop owners reported giving customers credit in their shops, and only one spaza shop owner did not give any form of credit to customers. Providing customers has been reported by the interview data as the major challenge faced spaza shop owners which affects the business negatively because of cash flow. Customers have been asking for credit at the spaza shops and delay in making payments for the products which affects the ability of business owners to fill the stock of the business. The spaza shop owners that does not give credit to the customers indicated that he offers low prices to the customers, and if he gives credits to the customers the business will suffer sustainability and cost of running the business.
- Three spaza shop owners had not attended training, nor were they going to do so if the opportunity was given to them. The study indicated that other spaza shop owners do not see the need of attending business training as

they see the business as a straightforward business that does need training. Not attending any kind of business training affects the business negatively and regarded as the challenge faced by spaza shop owners.

- Spaza shops reported not ordering in bulk. Ordering in small quantities results in continuous ordering of products and that affects the performance of the business negatively. Spaza shop owners have indicated the need of ordering in bulk and the importance of working together but they are not practicing that on their own. The business owners have indicated that they are running their businesses in isolation, every man for himself and the approach is affecting the business negatively. Working in isolation enables individual to utilise in buying in bulk, use of distribution channels effectively and fail to avoid the high cost of transportation of products into the business premisses.
- Failure to utilise on the deliveries of products from the suppliers have been reported in the findings. Spaza shops owners were unable to make deliveries because of not ordering enough stock for their businesses at that affects the operation of the businesses negatively.

5.2.2 Business strategies

It was found that:

- All spaza shop owners highlighted customer service as the business strategy used. This involves treating customers with respect and dignity, keeping customers happy, attending to customer complaints, concerns, suggestions, feedback, and customers queries. Providing excellent service to their customers have been the successful business strategy to sustain the business operations.
- All spaza shop owners reported that they have loyal customers. Loyal customers were cited as the reason for the business's existence. By having customers who are constantly buying products from their businesses have managed to build relationship with the customers. Business owners were reported being able to know which products the normally buy at what time and how much they are spending of the business. the relationship has not only been build with the customers even their children are involved the business transactions especially when they send them to buy airtime.

- Spaza shop owners give credits to elderly people, who were found to be the most loyal people in the business. Spaza shop owners indicated that elders are regarded as the most trusted customers in the business. There is an indication of good relationship when dealing with elderly people.
- Ten spaza shop owners reported working together with other local spaza shop owners and with competitors. The effective business strategy for South African businesspeople is the ability of working together rather than in isolation. Business owners who are working together have indicated growth in their business operation being sharing transportation, making stock together or helping each other financially.

5.2.3 Perspectives on competition

The findings were:

- Spaza shops owners reported that their main competitors are foreign nationals. South African-owned spaza shop had a clear indication of their main competitors. They indicated their business transactions and business operations. South African-own spaza shop indicated that foreign national spaza shop owners work effectively together, and they are buying their products in bulk and reduce their prices to the customers.
- South African-owned spaza shops indicated in the findings that they are not having any relationship with the foreign national-owned spaza shops. The perception that they have towards foreign-owned spaza shops should be adopted and implemented to improve on their business performance.
- Three respondents stated that foreign nationals were opening shops with the intention of closing the existing spaza shops. A further eight reported that foreign nationals were lining up their businesses around their area. There is an indication in the findings that foreign-owned spaza shops are created and opened to close their spaza shops and they were reported to be unable to respond to the intense competition.
- Foreign nationals have positioned their spaza shops to compete directly with established South African spaza shops. They use price discounting as a strategy to capture the market from the existing South African spaza shops and manage to offer goods at a lower price. The foreign national-owned spaza

shops have been reported to strategically position their spaza shops in the busy corners where there is a large number of customers in informal settlements. Effective distribution channels had enabled foreign-owned spaza shops to offer low prices and discounts especially on essential products such as bread, cold drink, cigarettes, maize meal and children's snacks.

5.2.4 Mitigating negative factors

It was found that:

- Good suppliers and wholesalers would enable customers to purchase the stock at lower prices, with supplier's discount, promotions, and price-cuts so shop owners could sell their products more cheaply to the customers and still make a profit. The growth and profitability of spaza shop depends on identifying good suppliers to offer customers with lower prices and be able to be competitive in the market. South African-own spaza shops reported to identify the fast-moving goods and avoid the slow products that will be stacked in the shelves.
- Saving enables the shop owner to handle the unforeseen circumstances in the future. Unforeseen circumstances include high levels of unemployment, criminal activities, Covid-19, high cost of electricity and petrol. The business owners have indicated the significance of saving funds for the business and the owners. Savings from the business has been reported in the findings as an effective business strategy to sustain business operation and growth.
- Technological advancement enables businesses to operate effectively and still generate profit. Spaza shop owners who had implemented technology in their businesses reported better business performance. The significance of using technological advancement equipment have been indicated to enable the business operations to run effectively. Business owners have indicated that they have been invested in different types of technology being computer programmes, media platform and technological equipment's that enable the business performance.
- Six spaza shop owners had attended business training prior to the opening of their spaza shops. Three spaza shop owners were positive about the opportunity, if given, to attend business training. Spaza shop owners who had some kind of business training and skills have reported in the study that they

have not faced with any challenges in their business operations. Some business owners have opened their business while working and other have left the informal employment and took the opportunities of creating employment for themselves. Other spaza shop owners have indicated that in their previous jobs they have attended all forms of trainings and seminar and they had positions in their previous jobs. The significant of having attendant business trainings and having business skills makes it possible to run the business effectively.

- Investments by spaza shop owners come in many forms: some spaza shop owners invest in their property, land, or banking investments and others invest in the business stock. South African-owned spaza shops have indicated a great pride in the findings when reported on owning the premises that they are operating at. The owners of the premises have invested in their businesses and reported that they are making a living out of the businesses and sending their children in decent schools through money generated by the businesses.
- Business owners that are renting their premises have reported to be operating in the strategic locations of their businesses and they are willing to own their business in future. Some business owners have been reported operating on business stands and others on containers and that indicates the shift of operation of traditional spaza shops.

5.3 RECOMMENDATIONS

The following suggestions are made purely based on the data analysis, findings, and conclusions. The recommendations are made to assist South African spaza shop owners to develop effective business strategies and address the negative factors that are affecting growth and profitability of spaza shops. In terms of the findings of the research study, the following recommendations are proposed:

5.3.1 Recommendation re pricing

The prices of stock that affect the South African spaza owners are supposed to be addressed by finding wholesalers and suppliers who sell at a lower price. Spaza shop owners should refrain from being loyal to brands. There are different kind of substitute

products that can be offered to the customers at a lower- prices, this includes substitute products for maize meal, milk, cigarette, cold-drinks, snacks, soups to target the price sensitive customers. The customers who are served by South African spaza shop owners are low-income customers and they are very sensitive to the pricing of the products, and they need to be served according to their needs.

Registering with the supplier and becoming a member of the supplier's company would enable the shop owners to receive discounts on their stock purchases, including monthly promotions, economies of scale and credit facilities offered by suppliers.

Spaza shop owners should be able to buy in bulk to receive discounts on large product quantities. The researcher understands that shop owners operate individually; nevertheless, they should not buy stock frequently, but instead on monthly basis.

5.3.2 Recommendation re credits

The researcher recommends that spaza shop owners should not give any credit to their customers. Credit was reported to be one of the main challenging factors affecting the growth and profitability of spaza shops. Spaza shop owners should stop giving credits to customers because the majority of credits remain unpaid by the customers.

Customers tend to pay whenever they want, but the business is unable to fill up its stock on that basis. Spaza shops are referred to as the local businesses that serve convenient groceries to the customers in small quantities. Shop owners should only stock products on a cash basis so that the business can generate profit and grow. Therefore, all shop owners are recommended to never offer credit to their customers.

All customers who are not having money to buy in the spaza shop are to be referred to the business owners so that they can be eliminated at all costs.

5.3.3 Recommendation re stock

Another challenge noted by participants was the inability to maintain stock as a result of not being able to secure good suppliers, while giving credits to customers. Spaza shops are open to sustain the livelihoods of the owners and provide a variety of

products at a lower price. Spaza shop owners are recommended to buy a variety of products that are appealing to the price-sensitive customers.

Furthermore, spaza shop owners can introduce mechanisms to improve and increase customer loyalty and create a consistent customer base. Spaza shop owners are recommended to order a variety of affordable or substitute products for their customers.

South African-owned spaza shop are encouraged on learning on how to do stock taking to avoid the expiring of products and learn how to purchase the products on demand. They are recommended to take all available opportunities of the suppliers that offer delivery for their products and equipment's such as advertising boards, refrigerators, promotional items and booklets.

South African-owned spaza shops are recommended to learn how to work together being with other spaza shop owners, foreign national-owned spaza shops, street vendors, hawkers, and the transportation system.

5.3.4 Recommendation re competition

Spaza shop owners are required to work together with other local spaza shop owners and their competitors. Foreign nationals are reported to have established effective distribution systems and bulk buying, while enjoyed the discounted prices when made their stock purchases. Spaza shop owners can implement strategies where they can work together in the area to enjoy the economies of scale that come with bulk purchasing. South African-own spaza shops are encouraged to learn from their competitors and follow their strategy of doing business so they can operate effectively and grow their businesses.

The findings indicated that foreign nationals were working collectively together. The study recommends that local spaza shop owners should learn to work together, especially with their competitors. Competition is not a personal attack but is selling similar product targeting the same customers. South African-own spaza shops are encouraged to learn on how to deal with competitors.

5.3.5 Recommendation re business training

Spaza shop owners are recommended to attend any type of business training that is related to the work they do. All spaza shop owners who do not have any business training are advised to attend training offered by the government, or by private institutions, or to enrol with educational institutions by attending short courses on business management. The study recommends that spaza shop owners should at least acquire basic knowledge about the business. spaza shop owners are encouraged to attend financial and management skills programme from the higher education institutions and non-governmental institutions that supports entrepreneurs (Fakoti & Oni, 2016).

The study has reported that technology should be utilised by spaza shop owner's and it is recommended that spaza shop owners should take any advantage of technological advancements that enabling the effectiveness of business operations. The technological advancements include the use of computers, internet, cash register, computer software programs. Spaza shop owners are encouraged to invest on generators, electronic inverters, solar energy systems for innovations so they can keep the business operating.

5.3.6 Recommendation re stakeholder's

South African-own spaza shop owners are recommended to advantage of government initiatives by registering their businesses and attend the workshops and trainings that are offered and conducted by governmental small business departments.

Informal businesses need to receive assistance and support from the government in registering their business and start-up business that are profit oriented (Ranyane, 2014) Government should loosen the laws and regulations relating to the procedures and cost of registering the informal businesses because every little cent generated by the business counts regarding survivalist's entrepreneurs (Ranyane, 2014)

The study has indicated the significance of informal sector and policy-makers are encouraged to recognise the informal sector that is viable and growing, significantly when there is high level of unemployment and poverty in the country. The informal sector is here to stay, as reported by the study and government resource are to be directed to the growth of informal sector either being spaza shops, mechanics, barber

shops, plumbers, electricians, street vendors, hawkers, taverns, green market and other informal businesses that contribute significantly to the South African economy. The introduction of South African government financial development institutions formulated by government includes Khula Enterprise Limited, Ntsika Enterprise Promotion Agency, South African Micro Apex Fund (SAMAF), Industrial Development Corporation (IDC), National Empowerment Fund (NEF), are created to target the SMMEs but none of the above institutions targets survival entrepreneurs Fakoti & Oni, 2016). Mago and Togo (2013:9) agrees that there are number of government financial institutions established to assist entrepreneurial initiatives but not much has been done. The awareness of initiative programmes directed by Nstika and Khula are very low. Therefore, Spaza shop owners are encouraged to look for field agency from the government agencies that offer financial support initiatives, these agencies provide financial skills on their websites (Fakoti & Oni, 2016).

Stakeholders on credit providers

Spaza shop owners are encouraged to learn how to handle their finances as to enable the financial banking institutions to offer them financial support through their financial statement and registered banking transactions. The banking institutions are able to offer financial support when their business is able to prove that they can make repayment of their loans and not default on their monthly payments. Nevertheless, government financial institutions and reputable banking system are unable to target survival entrepreneurs due to viability of their business and they are encouraged to consider assisting the survival entrepreneurs rather than focusing on profit-oriented businesses (Ranyane, 2014).

The study indicated that the source of funding for spaza shops are from family members, pension funds, friend's retirement and that inhibits the growth and profitability of spaza shop and financial institutions are recommended to consider the informal business and assist in their existence as part of their company social development, putting back to the community (Kira, 2013). In conclusion to the above recommendations spaza shop owners are encouraged to rely on their savings because borrowing money will burden their businesses as survival entrepreneurs (Moloi, 2014).

5.4 LIMITATIONS OF THE STUDY

As mentioned in Chapter 3 section 3.11, one of the limitations of the study is that it was limited to South African spaza shop owners and full-time spaza shop operators who had been in operation for five years or more. The spaza shop owners were restricted to those operating in the East Rand region, who specifically sold bread, cigarettes, cold drinks, cooking oil, sweets, maize meal, rice, milk and margarine. The study excluded foreign-national owned spaza shops, large trade retailers and spaza shops selling katas, pap and vleis, isishebo and rice, braai meat, alcohol, and fish and chips.

The study was further limited by excluding possible participants because they did not own smartphones or use WhatsApp applications. Online interviews were the only means of communication during the Covid-19 lockdown period. Therefore, older participants were limited in their participation and expression as they could not use the facility very effectively. Owing to these limitations, the findings concerning the factors that are affecting spaza shop owners in the EMM may not be generalised to other geographical areas of South Africa.

5.5 AREAS FOR FURTHER RESEARCH

Areas for further studies are as follows:

- Further research should be conducted in townships in other parts of South Africa.
- The researcher recommends further studies using quantitative research methods to provide empirical evidence regarding the impact of pricing strategies and credit facilities on spaza shops.
- A study could be undertaken to determine the relationship between spaza shop owners and loyal customers.
- Investigate the inability of South African spaza shop owners to work together could be conducted.
- Future research study extends to other African countries to gain diverse viewpoints and experiences on the topic.

- Longitudinal research studies could be applied to explore various factors that stimulate the growth of spaza shops.

5.6 PERSONAL REFLECTIONS

Undertaking this research has been a learning period for the researcher from the proposal for the study to the conclusion and recommendations of the study.

The researcher has grown through the lived experiences, feelings, attitudes, and perceptions of spaza shop owners' when indicating the factors that are affecting their spaza shop operations.

The researcher has noted and learned that anything which can generate profit for the business should be taken very seriously because individuals, communities and South Africa at large can all benefit from successful spaza shop operations.

In relation to the study, the vital role of small enterprises in the creation of employment, particularly among poor and low-income workers, needs to be appreciated because of its significant contribution in terms of poverty reduction, economic growth, and economic development (Fatoki, 2014:5).

Owing to the high level of poverty and high unemployment rate in South Africa, education and business opportunities are the solution to the crises. Spaza shop owners who have received little or no formal education in management skills regarding accounting, administration, marketing, and planning, are still important in enhancing the growth of spaza shops (Mukwarami, 2017). Any kind of business that exists in the township, whether registered or not, contributes to the economy of the country because such business creates some form of employment for the owner's family and the community.

The researcher believes that the present study can contribute to the body of knowledge regarding some of the factors affecting necessity entrepreneurs, as revealed in this study. The challenging factors reported in the findings – including credits, stock, pricing, business training and competition – serve as the fundamental basics for formulating any kind of business in the townships if managed and implemented effectively.

There are claims that the South African spaza shop market has been taken over by the foreign nationals, but the researcher found that local spaza shop owners are still present and are operating effectively. On the other hand, according to the literature, foreign national spaza shop owners are outperforming South Africa owners to a very significant extent (Liedeman, 2013). Foreign nationals use price discounting as a strategy to capture the market share from the existing South African spaza shops (Tengeh & Mukwarami, 2017:64). However, the researcher believes that when businesses are working together for a common goal, they will create employment opportunities for themselves and alleviate the high level of poverty.

5.7 CHAPTER CONCLUSION

In conclusion, it is suggested that a theoretical framework should be developed, for necessity entrepreneurs to adopt, detailing the steps to be taken before opening any business in a South African township. This theoretical framework could first identify the product; secondly, find the suitable suppliers for the product; thirdly, price the product accordingly, and finally, specify that no credit facilities are given to customers until the business grows to its maximum.

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Appendix 1

Codes and frequencies of participants

Codes	No	Frequency	Codes	No	Frequency
Prices	1	167	Airtime	13	31
Stock	2	153	Foreign nationals	14	97
Not having enough stock	3	46	Close the shops	15	50
Not working together	4	37	Growth	16	59
Not attending training	5	33	Savings	17	66
Expired products	6	25	Investment	18	46
Deliveries	7	23	Business trainings	19	45
Credits	8	88	Own shops	20	43
Not having money	9	67	Technology	21	29
Customer service	10	81	Suppliers	22	48
Working together	11	50			
Loyal customers	12	41			

APPENDIX 2

Code and frequencies of each participant

Word/phrase	Codes	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13	P14	P15
Stock	1	16	15	17	8	5	1	4	3	11	27	12	7	18	nil	7
Foreign Nationals	2	11	7	6	4	4	3	8	3	5	6	1	11	16	4	8
Not having enough stock	3	8	5	1	5	3	nil	nil	nil	1	9	1	2	8	nil	3
Not having money	4	6	nil	9	nil	2	1	2	nil	5	24	2	6	4	2	3
Credits	5	4	14	2	1	3	4	9	3	2	17	6	5	7	7	2
Prices	6	9	9	20	10	23	11	9	12	12	12	2	10	8	8	9
Not working together	7	7	nil	2	2	3	nil	1	nil	4	nil	nil	4	8	3	3
Expired Products	8	2	1	nil	10	nil	1	1	nil	1	3	1	nil	3	1	1
Close the shops	9	9	7	nil	1	12	2	nil	nil	4	3	nil	nil	4	7	1
Airtime	10	1	2	6	nil	1	1	nil	3	2	3	1	nil	9	1	1
Working together	11	6	2	8	4	2	3	2	3	nil	2	3	nil	6	4	5
Suppliers	12	3	2	3	5	6	1	3	1	3	1	5	7	6	nil	2
Deliveries	13	nil	nil	nil	1	nil	nil	nil	nil	nil	2	nil	nil		nil	nil
Customer Service	14	2	8	8	24	3	7	2	6	4	2	2	3	3	3	4
Loyal Customers	15	nil	5	10	nil	3	2	4	nil	1	3	2	1	5	4	1
Savings	16	4	11	9	4	4	8	1	6	4	nil	4	3	4	nil	4
Investment	17	1	1	nil	7	1	1	nil	1	5	6	4	4	4	10	1
Own shop	18	5	5	1	2	4	1	3	4	3	2	3	3	nil	5	2
Rent	19	nil	6	3	nil	7	3	5	4	3	1	1	nil	3	1	1
Not attending training	20	nil	1	1	nil	5	1	1	2	nil	6	1	nil	8	6	1
Technology	21	nil	9	3	1	2	6	nil	3	3	nil	1	nil	nil	nil	1
Growth	22	5	4	3	6	3	4	nil	4	7	2	5	2	2	3	6
Attending training	23	8	6	2	4	nil	3	3	1	3	nil	4	5	nil	2	4

APPENDIX: 3

INTERVIEW GUIDE

Introduction questions

Tell me about your spaza shop.

Are you the owners of the spaza shop?

How was your spaza shop opened?

How old is your spaza shop?

Do you own or rent the spaza shop?

Research question1: Which business strategies are used by spaza shop owners' during their business operating period ?

1.1 Tell me about the products that are mostly selling in your spaza shop?

1.2 What makes customers to come more often on your shop?

1.3 What makes other customers not to come to your shop?

1.4 Do you have any loyal customers for your shop? Tell me about them.

1.5 Tell me about your relationship with your customers?

1.6 Do you normally give your customers credit of discounts? If yes, which customers precisely?

Research question 2: What are the perspectives of spaza shop owners on competitors?

2.1 Are you aware of your competitors?

Probe: Please tell me about your competitors?

Probe: How many competitors do you have in your area?

2.2 How do you deal with your competitors?

2.3 How do they affect your business financially?

2.4 Who are your main competitors?

Probe: Tell me about your main competitors?

2.5 Do you have any business relationships with your competitors?

If No: Do you interact/ talk with them?

2.6 How is your product pricing compared to your competitors?

Research question 3: What are the challenges faced by spaza shop owners'

during their business operating period?

3.1 When you are operating your spaza shop, do you meet challenges?

Tell me about the challenges you are facing operating your spaza shop?

Probe: what are the challenges you face when running the spaza shop daily?

3.2 How you manage your funds for the spaza shop?

3.3 How do you save or invest the money made from the spaza shop?

Research question 4: How do spaza shop owners mitigate negative factors affecting growth, profitability, and sustainability?

4.1 Have you attended any business training courses that are related to your business? If yes, please indicate what type of business training?

Probe: if no, please indicate which business training you need.

4.2 If you are offered any business training courses, which ones would you want to attend?

4.3 In your point of view, what changes can you make in your business to improve your profits. and growth of your shop?

4.4 Tell me about the important lessons you have learned over the years as you operated your bu

4.5 What are the future for your business?

APPENDIX: 4

RESEARCH PARTICIPANTS LETTER

Dear Prospective participant,

You are invited to participate in an interview conducted by Thulani Churchill Ndimande under the supervision of Dr. Kudakwashe Chodokufa, a senior lecturer in the Department of Economic and Management Science towards a Master of Business Management Degree at the University of South Africa.

The interview you have received has been designed to study the ‘Factors affecting growth and profitability of spaza shops in Ekurhuleni Metropolitan Municipality’. You were selected to participate in this interview because, the research study targets South African spaza shop owners who are selling small groceries such as bread, cigarettes, cold drinks, cooking oil, sweets, maize meal, eggs, bread, and butter. Spaza shop owners between 18 to 65 years old and those who are from East Rand Region from four identified locations which are: Tsakane, Kwa-Thema, Daveyton and Duduza. The research study excludes spaza shop owners of foreign-nationals, large retailers and spaza shops that are shisanyama, taverns, fatkoek, kotas, pap and vleis, stew and rice, buy and braai and fish and chips. By completing this interview, you agree that the information you provide may be used for research purposes, including dissemination through peer-reviewed publications and conference proceedings.

It is anticipated that the information we gain from this interview will help us to understand all the factors that are affecting the spaza shops growth and profitability. You are, however, under no obligation to complete the interview and you can withdraw from the study prior to participating in the interview. The interview is developed to be anonymous, meaning that we will have no way of connecting the information that you provide to you personally. Consequently, you will not be able to withdraw from the

study once you have accepted to participate in the interview based on the anonymous nature of the interview. Furthermore, any identifying information that is obtained in connection with this interview will remain confidential and will be disclosed only with your permission or as required by law. If you choose to participate in this interview it will take up no more than 1 hour of your time. You will not benefit from your participation as an individual. However, it is envisioned that the findings of this study will be communicated to you at your request through summary report. We do not foresee that you will experience any negative consequences by participating in this interview. The researcher(s) undertake to keep any information provided herein confidential, not to let it out of our possession and to report on the findings from the perspective of the participating group and not from the perspective of an individual.

The records will be kept for five years for audit purposes where after it will be permanently destroyed. Hard copies will be shredded in front of the witness and electronic versions will be permanently deleted from the hard drive of the computer. You will not be reimbursed or receive any incentives for your participation in the interview.

The research was reviewed and approved by the Ethic Review Committee. The primary researcher, Thulani Churchill Ndimande, can be contacted during office hours at 061 409 4119/ 083 353. The study leader, Dr Kudakwashe Chodokufa, can be contacted during office hours at 012 429 4548. Should you have any questions regarding the ethical aspects of the study, you can contact the chairperson of the Ethics Research Committee. Alternatively, you can report any serious unethical behaviour at the University's Toll-Free Hotline 0800 86 96 93.

You are deciding whether or not to participate by continuing to the next page. You are free to withdraw from the study at any time prior to accepting an interview.

It is anticipated that the information we gain from this this will help us to identify the need for research ethics training in the South African Development Countries (SADC) region. You are, however, under no obligation to participate in the interview and you can withdraw from the study at any time. The interview is developed to be anonymous, meaning that we will have no way of connecting the information that you provide to you personally. You may withdraw at any time by not giving any notice and without

any penalty. If you choose to participate in this interview it will take up no more than an hour of your time. You will not directly benefit from your participation as an individual; however, it is envisioned that the findings of this interview may assist in addressing research ethics training needs in the SADC region. We do not foresee that you will experience any negative consequences by participating in the interview. The researcher(s) undertake to keep any information provided herein confidential, not to let it out of our possession and to report on the findings from the perspective of the participating group and not from the perspective of an individual. The records will be kept for five years for audit purposes where after it will be permanently destroyed. Records will be permanently deleted from the hard drive of the computer. There is no financial compensation or incentives for your participation in the interview. You are making a decision whether or not to participate by continuing to accept in participating in the interview. By accepting and signing the below consent form, you imply that you have consented to participate in this research.

CONSENT TO PARTICIPATE IN THIS STUDY

I, _____ confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits, and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet.

I have had sufficient opportunity to ask questions and am prepared to participate in the study.

I understand that my participation is voluntary and that I am free to withdraw at any time without penalty.

I am aware that the findings of this study will be processed into a research report, journal publications and/or conference proceedings, but that my participation will be kept confidential unless otherwise specified.

I agree to an online interview session using WhatsApp voice note communication with the researcher.

Kindly WhatsApp the researcher on **061 409 4113** for conformation of participating in the study. The researcher will come back to you to arrange the online interview at your convenience.

I have received a signed copy of the informed consent agreement.

Participant Name & SurnameDate.....

Participant Signature.....Date.....

Researcher's Name & Surname: Thulani Churchill Ndimande Date: 12 May 2021

Researcher's signature 

Date: 12 May 2021

APPENDIX :5

PARTICIPANT INFORMATION SHEET

Dear Prospective Participant

My name is Thulani Churchill Ndimande and I am doing research with Dr Kudakwashe Chodokufa a senior lecturer in the Department of Economics and Business Science towards a master's degree in Business Management at the University of South Africa. We have funding from the master's & Doctoral Bursary funds for a completion of the research study. We are inviting you to participate in a study entitled "Factors affecting growth and profitability of spaza shops in Ekurhuleni Metropolitan Municipality".

WHAT IS THE PURPOSE OF THE STUDY?

The researcher will be conducting the research to understand the factors affection growth and profitability of spaza shops in Ekurhuleni Metropolitan Municipality. The study wants to understand the challenges that are faced by spaza shop owners during their business operating period, to know the business strategies used by spaza shop owners during their business operations, the perspectives of spaza shop owners towards their competitors and, to understand how spaza shop owners mitigate negative factors affecting the growth, profitability, and sustainability.

WHY AM I BEING INVITED TO PARTICIPATE?

The research study chose spaza shops owners who are selling small groceries such as bread, cigarettes, cold drinks, cooking oil, sweets, maize meal, milk and butter. The spaza shop owners are between 18 to 65 years. Spaza shop owners are to be the owners of spaza shop or fulltime shopkeepers and should operate the spaza shop on the full-time basis. Spaza shop owners would be those who are from East Rand Region, from four identified locations which are: Tsakane, Kwa-Thema, Daveyton and Duduza. The sample of the research study consist

of 15 spaza shop owners. Spaza shop owners will be identified by the researcher. The prospective spaza shop owners who will be identified by the researcher will also be requested to assist the researcher to identify other spaza shop owners in their neighbourhood with similar characteristics.

WHAT IS THE NATURE OF MY PARTICIPATION IN THIS STUDY?

The research study will adopt an online interview that will follow an interview guide. Data will be collected by the researcher through an interview guide that is developed by the researcher. Interview guide will enable the researcher to prompt questions and to find clarity when it is needed. The researcher will allocate 1 hour for an online interview to be conducted. The instrument that will be used for an interview includes a WhatsApp voice note that will be recorded. The researcher will be taking notes, highlights key words spoken during an online interview and completing the interview guide for backup during an interview session.

Interview guide includes questions such as: How was the business opened? How old is the business? Are you the owner of the business? Do you own the business premises or renting?

CAN I WITHDRAW FROM THIS STUDY EVEN AFTER HAVING AGREED TO PARTICIPATE?

Participating in this study is voluntary and participant are under no obligation to consent to sign the consent form for participation. Participants are free to withdraw at any time and without giving a reason. Participants are free to withdraw from the study at any time prior to accepting and signing a consent form. If participants do decide to take part, participants will be given this information sheet to keep and be asked to sign a written consent form. by signing the consent form, participants imply that they have consented to participate in the research. Thereafter, the participants will not be able to withdraw from the research participation and will be requested to WhatsApp Thulane Ndimande on 061 409 4113 to confirm participation.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

Participants will benefit from the study by identifying all the factors that are affecting the growth and profitability of their spaza shops. The benefits include the ability to identify and analyses competition, measures of identifying and preventing crime. The type of crimes involved in the business such as robbery, counterfeit notes, shoplifting,

and murder. Effective distribution system that should be undertaken by spaza shop owners, by creating good relationship with the suppliers and register themselves on their database, receiving of supplier's specials and promotions. Effective transporting system with other spaza shops, through ordering and delivering system at a low price. The importance of business skills and training, for effectively running the spaza shop to be profitable and grow.

ARE THERE ANY NEGATIVE CONSEQUENCES FOR ME IF I PARTICIPATE IN THE RESEARCH PROJECT?

The study is categorised as level 2 with low risk level. No risk is anticipated or perceived by the researcher during the research procedures, and outcomes of the study. No sensitive topics will be asked to the participants that may cause any physical, emotional, and psychological threat.

Participants have the right to insist that their names not be recorded anywhere and that no one, apart from the researcher, research supervisor and identified members of the research team, will know about their involvement in this research. Furthermore, participants name will not be recorded anywhere, and no one will be able to connect them to the answers they gave. Participants answers will be given a code number, or a pseudonym and they will be referred to in this way in the data, any publications, or other research reporting methods such as conference proceedings.

WILL THE INFORMATION THAT I CONVEY TO THE RESEARCHER AND MY IDENTITY BE KEPT CONFIDENTIAL?

Participants answers may be reviewed by people responsible for making sure that research is done properly, including the transcriber, external coder, and members of the Research Ethics Review Committee. Otherwise, records that identify participants will be available only to people working on the study, unless participants give permission for other people to see the records.

It is anticipated that the information we gain from this this will help us to identify the need for research ethics training in the South African Development Countries (SADC) region. Participants research data may be used for other purposes such as a research

report, journal articles and/or conference proceedings. A report of the study may be submitted for publication, but individual participants will not be identifiable in such a report. By completing and signing the consent form participants agree that the information participants provide may be used for research purposes, including dissemination through peer-reviewed publications and conference proceedings.

HOW WILL THE RESEARCHER(S) PROTECT THE SECURITY OF DATA?

Hard copies of participants answers will be stored by the researcher for a minimum period of five years in a locked cupboard with keys at the researcher's office for future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. Hard copies will be shredded in front of a witness and electronic copies will be permanently deleted from the hard drive of the computer.

WILL I RECEIVE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

There is no financial compensation or incentives for participating in the research study.

HAS THE STUDY RECEIVED ETHICS APPROVAL?

This study has received written approval from the Research Ethics Review Committee of the Unisa. A copy of the approval letter can be obtained from the researcher if you so wish.

HOW WILL I BE INFORMED OF THE FINDINGS/RESULTS OF THE RESEARCH?

If the participant would like to be informed of the final research findings, please contact Thulani Churchill Ndimande on 061 409 4113/ 083 353 5898 or thulane.n@mailbox.co.za. The findings will be a summary finding communicated to the participant at request. Should the participant require any further information or want to contact the researcher about any aspect of this study, Participant can contact the primary researcher: Thulani Churchill Ndimande on 061 409 4113/ 083 353 5898 or thulane.n@mailbox.co.za. Should the participant have concerns about the way in which the research has been conducted, participant may contact the research

supervisor Dr Kudakwashe Chodokufa, on 012 429 4548 or the research ethics chairperson of the Ethics Research Committee. Alternatively, participant can report any serious unethical behaviour at the University's Toll-Free Hotline 0800 86 96 93 if the participant has any ethical concerns.

Thank you for taking time to read this information sheet and for participating in this study.

Thank you.



Mr. Thulani Churchill Ndimande

APPENDIX 6

ETHICAL CLEARANCE CERTIFICATE

UNISA ETHICS REVIEW COMMITTEE

Date 28 July 2021

NHREC Registration # : N/A
ERC Reference # 2021_CEMS_BM_120
Name : Mr TC Ndimande
Student #39430391
Staff #N/A

Dear Mr TC Ndimande

**Decision: Ethics Approval from
28 July 2021 to 27 July 2024**

Researcher(s): Name: Mr TC Ndimande
E-mail address: 39430391@mylife.unisa.ac.za
Telephone # 083 353 5898/ 061 409 4113

Supervisor(s): Name: Dr Kudakwashe Chodokufa
E-mail address # chodok@unisa.ac.za
Telephone # (012) 429-4548

Working title of research:

**Factors affecting growth and profitability of Spaza shops in Ekurhuleni
Metropolitan Municipality**

Qualification: M Com

Thank you for the application for research ethics clearance by the Unisa Ethics Review Committee for the above-mentioned research. Ethics approval is granted for 3 years.

*The **low risk application** was reviewed by a Sub-committee (Department of Business Management Ethics Review Committee) of URERC on 27 July 2021 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment. The decision was approved on 27 July 2021.*

The proposed research may now commence with the provisions that:

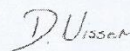
1. The researcher(s) will ensure that the research project adheres to the relevant guidelines set out in the Unisa Covid-19 position statement on research ethics attached.

2. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
3. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the Ethics Review Committee.
4. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
5. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
6. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's Act, no 38 of 2005 and the National Health Act, no 61 of 2003.
7. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data requires additional ethics clearance.
8. No field work activities may continue after the expiry date 27 July 2024. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Review Committee approval.

Note:

The reference number 2021_CEMS_BM_120 should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,



Chairperson: Prof T Visser
Department of Business Management
E-mail: vissed@unisa.ac.za
Tel: (012) 429-2113



Executive Dean: Prof Thomas Mogale
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10 January 2023

I am an experienced English language editor, accredited by the Professional Editors' Guild, South Africa.

I hereby confirm that I have completed a language edit of the master's thesis written by **Thulane Churchill Ndimande** titled:

**FACTORS AFFECTING GROWTH AND PROFITABILITY OF SPAZA SHOPS
IN EKURHULENI METROPOLITAN MUNICIPALITY**

The work was edited to achieve

- clarity of expression and style;
- accuracy of grammar, spelling and punctuation;
- consistency in all aspects of language and presentation.

The author was requested to attend to suggestions for improvement of the text, and is responsible for the quality and accuracy of the final document. References were not included in the language edit.

RCoetzee

Ruth Coetzee (Mrs).