

CHAPTER 1

OUTLINE OF THE STUDY

INTRODUCTION AND GENERAL OVERVIEW

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1.1 INTRODUCTION

In this chapter a background sketch of the problem is provided. In order to put into perspective, the essence of the study, this is emphasized by a summary and definition of relevant terms. Thereafter the problem statement is explained and the objectives of the study identified. A brief explanation of the research methodology is given and the value of the study is detailed. Finally the delimitations and the outline of the study are noted.

1.2 BACKGROUND TO THE PROBLEM

The establishment of small business has been of international concern for many years with Japan and South Korea leading the way and showing the capable employment and thus economic contribution possible from the small business sector. South Africa (SA) has lagged well behind in the establishment of small businesses and the creation of employment through the avenue of being self-employed. Compared to Japan, South Korea and Hong Kong where the average self-employment figures are 1 in 6.3 people, South Africa shows a dismal 1 in 200 people. (Swanepoel, M. 1994:Part 1)

The Border Technikon is situated on the outskirts of Mdantsane, between East London and Bisho in the Eastern Cape, an area known for its high levels of unemployment and poverty. Mdantsane is the second largest "township" (to Soweto), in South Africa where opportunities for employment are scarce. (Eastern Cape Province, Budget Review, 1996/97). In 1995, statistically, unemployment for this region was estimated to total 45,3%. For Black people, this figure was estimated to be 52,3%. (Department of Labour - Provincial Research:1995). Thus, the development of entrepreneurship is seen as essential in the region in order to promote the growth of small, micro and medium sized enterprises (SMME's). The growth of this sector is seen as an important element through which the government intends implementing its Reconstruction and Development Programme (RDP). It sees small business, particularly those owned by black entrepreneurs, as forming an integral part of the national economy and economic policy. (RDP Roadshow 1996. One-Day Workshop St David's Hotel, East London).

The Border Technikon sees itself as accepting the role of acting as catalyst for the promotion of entrepreneurship through the development of small, medium and micro enterprises in the Border region. It is establishing an Entrepreneurial Centre of

Excellence or Business Advice/Information Centre through which its vision of the growth of SMME's is to be achieved. This initiative came from the Technikon's Marketing Department and thus the emphasis of all planning was primarily marketing orientated. (The department also founded the three-year entrepreneurship diploma with the first of its students graduating at the end of 1999.) The first task was to determine the needs of the community and thereafter to structure the service/s offered by the Centre of Excellence accordingly. Essentially, developing an understanding of the SMME sector, (in particular the informal/hawker sector) from a Marketing point of view, is the motivation of this study.

As a result of the noticeable growth of the "hawker" population in the East London Central Business District (CBD), the focus of attention was on gaining an understanding of informal trading, especially the marketing tactics (if any) used by this group.

A "hawker" can be defined along the same lines as the definition of the **informal sector** initially used by Hart (1973) and the International Labour Office (ILO 1972) in the context of dual economic systems in Africa. These were viewed as being polarized into formal and informal sectors. Simply stated, "the informal economy is a process of income generation which is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated" (Castells & Portes 1989:12). Informal ventures generally operate without legal recognition and are neither registered and enumerated nor officially taxed (Miehand 1991; Wahnschafft 1982). In contrast, the formal sector includes enterprises which are licensed, taxed and eligible for state funding" (Timothy and Wall 1997:322). A hawker is thus involved in the process of income generation which is unregulated by institutions of society, are unrecognized by the law and they are not registered nor enumerated and officially pay no tax.

This research is on **existing** marketing tactics and the degree of marketing orientation of operating hawkers.

Although much of the reference material used in this section may appear dated, it in fact matches the level at which this study is pitched. One is looking at the very basics of marketing theory and focusing on the extent of its use at a basic level within the hawker industry.

Ziethaml et al (1985) has identified a number of strategies which are currently being used in America and various suggestions have been put forward by, amongst others, Berry (1984), Shostack (1977), Sasser (1976) and Levitt (1972) as to particular strategies which might prove successful in their bid to achieve good marketing performance.

The main emphasis of these studies was on the differences or similarities of the application of their strategies to product or services marketing. For instance, Gronroos (1982), accepting that there are similarities between services and physical products also recognizes the basic characteristics distinguishing the two from each other. On the basis of this he argues that it would be inappropriate to try and change services, making them more tangible or more impersonal, simply to be able to apply conventional marketing knowledge. He does however recognize that this could be a strategy but contends that it should not be the only one. Rather, he opts for the development of marketing to be “geared to the basic characteristics of services and to the marketing situation of service firms”. (Gronroos, 1982:31). It could be argued that one opts for the development of marketing to be geared to the basic characteristics of the hawker industry and to the marketing situation of each hawker.

On the basis of the above studies, as the starting point, the aim of this research is to determine the **use of** generally accepted marketing principles by the hawker market in the East London CBD. As determined by Annatjie Brink (1997:46), “prominent researchers who had investigated the black retailer’s knowledge of marketing, stress the inadequate marketing skills of the black retailer”. The extent of the application of basic marketing principles as implemented by hawkers in the East London CBD will be determined in this study.

In the context of this study the term hawker is synonymous with micro small business.

In order to be clear on some of the new terms used, below is a brief summary of these terms and a definition for each.

SMME	Small, Micro and Medium Enterprises are those enterprises gauged in size from a one man concern, to a concern with a maximum of 50 people.
Hawker	Someone involved in the unregulated, unrecognized generation of income.
Informal Trading	Trading which takes place which is unregulated by the institutions of society.
Small Micro Businesses	The enterprise may consist of the entrepreneur with little if any regular help.

Having discussed the background to the study and defined some of the new terms used, the problem statement will now be detailed.

1.3 PROBLEM STATEMENT

Very little is known about the informal trading of South African hawkers, particularly those owned or run by black entrepreneurs, in the traditionally black environments (economic, legal, political, social/ psychological and cultural) in which they operate. For example, there may be legal rules which are simply not adhered to, e.g. Municipal regulations especially. Likewise there are codes of conduct, (politically, socially or culturally based) so strictly adhered to that they may well be regarded as law. Examples of this are seen during the boycott of white owned businesses and stay-aways, go-slows or strikes imposed by Unions, especially during the unrest of 1993/4.

Without constructive information, deductive strategic planning cannot be confidently effected, in particular from the viewpoint of **strategic marketing** planning.

A key question in this regard is whether common marketing tactics, which assume an open and freely competitive environment, are accepted and implemented by black owned or managed hawkers in SA? Specifically, this question will be investigated with regard to the informal trading of hawkers in the East London CBD hawker market. The following specific objectives are noted:

1.4 OBJECTIVES OF THE STUDY

The primary objective of the study is to determine the extent of the use of generally accepted principles of common (**conventional**) marketing in primarily black owned or managed hawkker businesses in the East London CBD area.

Secondary objectives centre around the degree to which the stated hawkers are implementing **unknown**, or **new**, marketing tactics. Also of interest is the identification of other **influencing factors**, and the relevance of these to marketing.

Finally, a general assessment of the marketing orientation displayed by the hawkers and an analysis of selected demographic factors will be made. This will be of value for further analytical studies and/or planning, as explained in the next section.

1.5 RESEARCH METHOD

This study, with its focus on determining the extent of the use of generally accepted marketing principles by hawkers in the East London CBD, questions the extent of hawkers marketing actions through a questionnaire. In order to ensure the hawkers were not confused by academic concepts/terms, their specific activities were questioned and the extent to which a marketing action or an activity was relevant to their enterprise. By implication, these actions would reflect the use of a marketing principle.

A thorough explanation of the research methodology is detailed in Chapter 4.

In order to achieve the objectives of the study, secondary research is conducted which covers mainly the marketing principles under scrutiny in this study. The aim of this section is to ensure a clear understanding of the basic marketing principles detailed in the literature. This section will also enable the study to satisfy the objective of identifying any unknown or new strategies one may add to the evergrowing volume of marketing theory.

1.6 VALUE OF THE STUDY

This research is exploratory, thus it is based on the assumption that there is little knowledge on which to build, and it is designed to generate ideas and open avenues for future research and action. It is intended to encourage an interest in informal trading by initially highlighting demographic characteristics and also noting marketing tactics regarded as being successful. Thereafter, through analysis, one could promote an understanding and acceptance of informal trading, enabling the formulation of recommendations which would be able to assist micro and small business to develop from a set of marginalized survival tactics into dynamic small enterprises that can provide a decent living, create greater employment opportunities and promote further an ethos of excitement towards being self employed.

It is the opinion of the author that the unique characteristics of the Hawker Market pose a number of marketing problems for the informal traders. Conventional marketing theory assumes a “free market” set of rules within which they can be implemented and operate successfully. It is not clear as to whether these assumed “free market” principles exist within the Hawker market. The role of possible cultural, social, tribal and political influences may limit informal traders wishing to implement conventional marketing tactics in an environment which is possibly not at all conventional. It is possible that hawkers play by a set of rules which are not at all common but which are very specific to our South African scenario.

As a result of the lack of research in this field, the author feels that research in this area is fully justified.

Amongst others, academics continually need to ensure that:

- theory is relevant in practice
- theory is continually explored, researched, improved, tried and proven in practice
- practice is well known

The emphasis of this study is on the third point. Thus the value of this study is found in its ability to make known those marketing tactics, which the hawkers in the East London CBD actually implement. The very nature of the study (exploratory) should serve to attract other researchers to carry out further research. Value can also be found in the various hypotheses, which this study hopes to initiate. These hypotheses will require ratification and will hopefully serve as a base from which further research can be carried out.

The results of the study should also provide South African Hawkers with an indication of those marketing practices, which are generally accepted and implemented by the East London traders to cope with the characteristics of their environment. Thus, possible relevant marketing tactics will be revealed which may be selectively implemented by other South African Hawkers faced with similar environmental characteristics. The nature of their environmental characteristics requires investigation and clarity in itself.

It is also clear that our hawkers are in dire need of more guidance. This study aims to offer a contribution to the formulation of such guidance. This view is based on the expectation of the existence of the will/motivation to move from a third world day to day survival to a first world more long term viable economic thinking and activity. One could question whether this view suits the African context or culture or whether one could hope for this progression towards economic sustainability and long term planning. Overall, the study attempts to find out what is being practiced in the field of South African informal trading from a marketing point of view and to distill knowledge about that which is of interest, importance and relevance from a practical point of view. To this end, this study is deemed to be of value as a contribution to Hawker Marketing in South Africa. To this end it is necessary to make a note of any delimitations of the study now detailed below.

1.7 DELIMITATIONS OF THE STUDY

Due to the diverse nature of the Informal Trading environment and the difficulty attached to conducting research in this field, it would be virtually impossible to gather valid information from a broad spectrum of hawkers. Therefore, the researcher chose to study one group, (those in the East London CBD) spending extended time in trying to

become familiar with and known to the group. Perceived scepticism, suspicion and lack of trust by the hawkers of the research group is evident. Acceptance by the hawkers and achieving their willingness to participate honestly is the vital challenge.

Based on the understanding/assumption that this group can be seen as “being representative” of a much broader base, (possibly the South African Hawker sector in general) through comparison with information from other case studies this generalization could be pursued.

At this point the outline of the entire study is detailed and a brief summary of each chapter is given to emphasize the approach taken in the study.

1.8 OUTLINE OF THE STUDY

Chapter 1

Having covered an introduction and a background to the problem in Chapter 1, as well as summarising and defining relevant terms, Chapter 1 also covers the problem statement and the objectives set. Although the research methodology is covered in detail in Chapter 4, the research method is briefly explained along with the value of the study and finally the delimitations and outline of the study.

Chapter 2

In Chapter 2 the marketing environment for the hawkers in the East London CBD is explained and discussed. Secondary research is used to support this discussion which covers the composition of the marketing environment, the characteristics, and also details the micro, market, macro, technological, economic, social, physical and political environments. A historical perspective is discussed and the concept of Black Economic Empowerment (BEE) noted. Finally the international environment is discussed looking at foreign investor perceptions and confidence especially as they relate to East London.

Chapter 3

In Chapter 3 the theory of the marketing tactics for small businesses is discussed of which the main elements are tested and their use evaluated in the conducting of the primary research.

Chapter 4

Chapter 4 covers the research methodology of the study in detail. The chapter deals with specifics such as detailed explanation of the questionnaire, details of the population and determination of the sample and an explanation of the data analysis applied.

Chapter 5

In Chapter 5 the results of the primary research done is depicted. The results of each of the questions asked in the questionnaire are analysed and interpreted in detail in order to enable conclusions and recommendations to be made.

Chapter 6

Chapter 6 covers the conclusions drawn and recommendations made and also indicates areas for future research.