

**Gordon Institute  
of Business Science**  
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**A Qualitative Study on the Reasons for Weak Coopetitive  
Relationships Among South African Spaza Shop Owners**

**Charles Hare**

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

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**Student Number:** 16392877

**Contact details:** Charlie.Hare84@gmail.com  
+27 (0)76 378 2765

## **Abstract**

This study attempts to understand why the South African owners of township spaza shops do not form cooperative relationships as a means of becoming more competitive. Coopetition (simultaneous cooperation and competition among rival business owners) is a tactic widely used by foreigners who run local spaza shops, and who, it is reported, are more successful than South African owners.

The study applies a qualitative, exploratory approach to better understand this issue through interviews with South African spaza owners in Alexandra Township, Johannesburg. Fourteen interviews were conducted using a semi-structured questionnaire, covering the nature of the relationships among South African spaza shop owners, as well as their perceptions of the trade practices of the foreign spaza shop owners.

An absence of trust and a lack of awareness of the potential benefits of coopetition are the major barriers to South African spaza owners forming cooperative relationships. Moreover, the volatile environment in which these spaza shops operate means that a commitment to building ongoing cooperative relationships is difficult. Any intervention designed to improve the survival rate of South African-owned spaza shops should include measures to build trust, improve communication skills and highlight the benefits of coopetition.

**Keywords:** Spaza, Coopetition, Trust, Bulk Buy, Township, Microenterprise

## **Declaration**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

**Name: Charles Hare**

**Signature:**

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# 1 CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

## 1.1 Introduction

In this chapter, the problem statement will be set out and then the broad context, purpose and relevance of the report will be described. The current socio-economic environment in townships in South Africa characterised by increasing unemployment, high crime rates and wavering social cohesion, sets the background for the importance of this study, which will look at one of the reasons behind the failure of South African-owned spaza shops.

## 1.2 Problem Statement

South African-owned microenterprises, specifically spaza shops, are not competitive and have a high failure rate (Ligthelm, 2012). There are many factors behind the low levels of competitiveness of South African-owned spaza shops but competition on price with foreign-owned businesses is often cited as one of the biggest threats (Liedeman, Charman, Piper & Petersen, 2013).

One of the possible causes of the lack of price competitiveness is the consequence of the failure by South African spaza shops to form cooperative relationships as a means of lowering costs and ensuring business survival. Coopetition refers to a situation where enterprises compete and cooperate simultaneously (Bengtsson & Kock, 1999). This study has consequently examined the reasons for the reluctance of South African spaza shop owners to form such relationships.

## 1.3 Context of the Study

Microenterprises are a key part of the township economy and provide a range of services to township communities (Chebelyon-Dalizu, Garbowitz, Hause & Thomas, 2010; Liedeman, Charman, Piper & Petersen, 2013). Furthermore, they contribute to the wider South African economy. According to a report by the Small Enterprise Development Agency (2016), the small, medium and micro enterprise (SMME) sector contributed between 52 and 57% of the country's GDP in 2016. Spaza shops play a significant role in the microenterprise sector in South Africa, dominating the retail landscape in townships across the country (Fatoki & Oni, 2016). In fact, according to Ligthelm (2012), 70% of South African microenterprises, including spaza shops, are in the retail sector.

Microenterprises present an opportunity for people to create their own employment, as well as to provide jobs for the many unemployed people in townships (Ligthelm, 2008a; Woodward, Rolfe, Ligthelm & Guimaraes, 2011). Indeed, microenterprises in South Africa represented almost eight million employment opportunities in 2010, mostly for the individual owner (Grundling & Kaseke, 2010). This is especially relevant in the informal sector which represented 18% of the South African workforce in 2015 (Piper & Yu, 2016), representing millions of workers that Ligthelm (2008a) argues are “fending for themselves primarily through establishing small survivalist businesses” (p.373). As such, microenterprises are valuable sources of economic growth, job creation and poverty alleviation in South Africa (Ligthelm, 2008a; Mthimkhulu & Aziakpono, 2015).

The South African government places huge importance on the role of small business in achieving economic growth and bringing people out of poverty. The government has listed the development of the SMME sector as one of its priorities since 1995 (Ligthelm, 2008a). In his 2015 State of the Nation Address, President Jacob Zuma remarked that “small business is big business” (Zuma, 2015), a comment that Minister for Small Business Development, Lindiwe Zulu, took partial responsibility for. In a conference speech in 2015, she said that her department’s “policy interventions will seek to ensure that small businesses thrive and are able to grow into profitable medium-sized business. We are determined to make them the main drivers of economic growth and poverty eradication.” (Zulu, 2015a).

In Minister Zulu’s speech on the occasion of the budget vote in the National Assembly in 2015 she pointed out that

The significant role of small businesses is underlined by the National Development Plan which envisages that the small business sector will create 90% of the expected 11 million jobs by 2030 .... small businesses will have to contribute roughly 800 000 jobs per year until 2030 (2015b, p. 3)

It is evident that government sees an important role for microenterprises as a part of the small business sector, and thus has an interest in seeing them succeed.

However, as several studies suggest, the main problem is that many microenterprises are survivalist in nature and do not grow revenue, increase employment or make enough



profit to remain sustainable over the long term (Ligthelm, 2004; Strydom, Martins, Potgieter & Geel, 2002). Many microenterprises end up failing, often within a short space of time. Indeed, research reports that somewhere between 65 and 75% of South African SMMEs do not become established firms (Fatoki & Odeyemi, 2010; Grundling & Kaseke, 2010).

There are numerous reasons that explain the failure of microenterprises. Issues such as limited access to finance and markets, lack of business skills, personal values and size of firm are widely discussed as playing an important role (Abor & Quartey, 2010; Asah, Fatoki & Rungani, 2015; Mthimkhulu & Aziakpono, 2015; Williams, 2014).

The exception to the trend in microenterprise failure is foreign-owned spaza shops, which are growing in number with some studies reporting that in select locations the majority of spaza shops are now foreign-owned (Charman, Petersen & Piper, 2012). One explanation of the success of foreign-owned spaza shops, as compared to their South Africa counterparts, lies in their competitiveness on price. This differentiation in price, which is hugely important in low-income environments such as townships, seems largely due to foreign-owned spazas shop owners' ability to leverage their social networks to buy stock in bulk, negotiate better prices with suppliers, access capital and employ cheap labour (Gastrow & Amit, 2013; Khosa & Kalitanyi, 2014). The practice of bulk buying in groups is of particular interest and can be described as a coopetitive relationship, where two enterprises cooperate and compete simultaneously (Bengtsson & Kock, 1999).

To summarise, there is a growing picture of the township economy where microenterprises are required to fuel growth and reduce unemployment but where many are failing to do so. At the same time, there is a growing proportion of foreign-owned spaza shops that are being run as successful businesses.

This presents a logical conclusion, namely that if spaza shops are failing but foreign-owned spaza shops are succeeding, it must be the South African-owned spaza shops that make up the failure statistics. Should this conclusion be correct, the question arising from it would be: what South African-owned spaza shops are doing wrong where foreign-owned spaza shops are succeeding?

### **1.3.1 Defining Terms: South African and Foreign-Owned Spaza Shops**

It is important to note that, in the context of this study, the distinction between foreign-owned and South African-owned spaza shops is not as clear as simply dividing them between those with South African citizenship and those with foreign citizenship. Piper and Yu (2016) have argued that it would be misleading to class all foreigners as the same, especially when it comes to price competitiveness. In their study, these authors highlighted differences among various countries. For example, with reference to pricing South Africans were found to be cheaper than Zimbabweans and Mozambicans but more expensive than Somalians and Bangladeshi (Piper & Yu, 2016). This paper is specifically interested in the cooperative trade practices, such as bulk buying in groups or the formation of groups to share transport costs (both of which represent cooperative relationships), of the spaza shops that are owned predominantly by people of Somali, Ethiopian, Bangladeshi and Pakistani origin or descent.

There are various complex dynamics related to citizenship, nationality and identity in the township environment, so for the sake of clarity this paper will classify spaza shops into two distinct populations. “Foreign-owned spaza shops” are in this paper considered to be spaza shops owned by anyone of Somali, Ethiopian, Bangladeshi and Pakistani origin or descent. “South African-owned” will refer to anyone from the Southern African region, including people of South African, Zimbabwean and Mozambican descent.

## **1.4 Purpose of the Study**

The overall purpose of this study is to contribute to the understanding of how South African microenterprises can grow and create jobs. More specifically, the objective is to investigate the reasons why some South African-owned spaza shops are not as competitive as the foreign-owned ones and what recommendations can be made to improve the competitiveness of the former. It is hoped that this will help inform relevant policy or other interventions to ensure spaza shops operate more effectively.

From a business perspective, an increased number of competitive and efficiently-run spaza shops will contribute to economic growth and job creation in townships, as well as provide more effective channels for larger firms to sell their products and services (Ligthelm, 2004). Given the key role of the spaza shops, as described above, this study is addressing a problem that affects an important sector in South Africa.

In terms of the theoretical need for this study, there have been numerous studies that demonstrate how microenterprises are failing and that foreign spaza shops are succeeding by using their social networks. However, there appears to be a lack of information as to *why* South African spaza owners do not form cooperative relationships which could lead to lower costs and business survival or even growth. The theory around the concept of cooperation is still emerging and literature is generally undeveloped so there is a need for more studies in this area (Sroka, 2012; Walley, 2007; Zakrzewska-Bielawska, 2014). Gnyawali and Park (2009) called for more research into cooperation in SMMEs, given that much of the literature in this regard focuses on large companies. As the idea of cooperation is still emerging, this paper could contribute to the growing literature around it.

One study that addresses the business processes of foreigners is by Mthimkhulu and Aziakpono (2015), who looked at the obstacles to SMME growth and found that “practices of informal competitors” was a binding constraint for some respondents. However, these authors noted that their survey instrument was not suitable and that the term used was somewhat ambiguous; therefore, more research was required.

More generally, there have been many calls for more research on township and microenterprise markets. Various studies have suggested that studies on township economies are still lacking (Friedland, Merz & Van Rensburg, 2008). As Global Entrepreneurship Monitor research confirms, the reality is that little is known about the SMMEs in South Africa (Herrington, Kew & Kew, 2010).

This research paper will fill a gap in the literature by looking at why South African spaza shop owners do not form cooperative relationships. Some studies have made suggestions as to why this might be the case but there have been no studies solely focusing on this dynamic in the township context. The study will also make recommendations as to what can be done to improve interventions designed to improve the business skills of South African spaza shop owners. Furthermore, it will contribute more generally to literature on the township economy, microenterprises and the concept of cooperation.

## 1.5 Relevance of the Study

In 2000, 2.7% of South Africa's retail trade was from spaza shops, amounting to R7.4 billion (Ligthelm, 2005), which represents a significant market. As the number of South African spaza shops is on the decline, there is a need to devise ways for the existing ones to improve their business and remain competitive, as well as keep market access open to anyone who might want to enter it. The importance of the survival of these enterprises is paramount due to the number of knock-on effects that failed South African businesses have on society, as outlined below. This makes a strong case for supporting the growth and development of South African spaza shops, which is the ultimate goal of this study.

### 1.5.1 *Social Cohesion*

Numerous studies have suggested that the fierce competition between South African and foreign-owned spaza shops has been the cause behind some xenophobic attacks within townships (Charman et al., 2012; Khosa & Kalitanyi, 2014; Piper & Yu, 2016). A study done on Somali shop owners in the Western Cape showed that they felt the competition with rival South African owners was central to crimes committed against them (Gastrow & Amit, 2013).

There is an argument to make that these attacks have not necessarily been based purely on xenophobia but due to the economic situation that many South Africans find themselves in, especially in townships, that see them resorting to crime and violence (Charman & Piper, 2012). The attacks could also be attributed to more parochial factors such as the fact that more foreign owners sleep in their shops, resulting in more extreme crimes when a break-in occurs (Charman & Piper, 2012). However, these studies have been unable to firmly conclude that this is the case and whilst social cohesion remains a major issue in townships, there is clearly a case for reducing the violence on foreigners. Piper and Yu (2016) have explained that the feeling that immigrants steal jobs from locals is common all over the world, so this is not a uniquely South African problem but a problem nonetheless.

It should be noted that the researcher is not advocating for the removal of foreign-owned spaza shops from townships. Instead, the argument is that South African spaza owners could learn from these successful businesses. Furthermore, it is in the interest of the government to do more to support South African citizens as they try to run successful businesses that contribute to domestic growth and job creation. Curci and Mackoy (2010) back up this assertion by arguing that it is easier for governments to support non-

immigrant-owned business ventures, given the extra cultural challenges presented by supporting foreign ventures.

### **1.5.2 South African Unemployment Figures**

The imperative to reduce unemployment in townships is abundantly obvious. According to a World Bank report, “South African townships account for 38% of the country’s working-age population, [and yet] they are home to almost 60% of its unemployed.” (Mahajan, 2014, p. 2).

Given the lack of jobs available to people living in townships, a significant proportion are eligible to claim welfare grants from the state, adding to the government’s financial burden. Furthermore, unemployment has numerous negative effects on a country, including being an impediment to overall poverty reduction (Ligthelm, 2008a). The informal economy has contributed 2.5 million jobs or 15 to 20% of employment in the last decade (Piper & Yu, 2016), which shows it is a strong driver in reducing unemployment.

Spaza shops provide employment both for the owner and, potentially, for others too, so a reduced share of South African-owned spaza shops means fewer job opportunities. The converse is also true – more spaza shops will lead to more employment.

### **1.5.3 Socio-Economic Impact**

Spaza shops play an important socioeconomic role in South Africa (Friedland et al., 2008) by providing services to the community and creating jobs. Furthermore, it is commonly accepted that business owners not only provide financial support for themselves but also for their immediate family, often their extended families and sometimes for those in need in the wider community (Liedeman et al., 2013). The impact of a spaza shop being forced out of business therefore has wider implications for township residents across all generations, not just for the owner themselves.

Spaza shops also provide a convenient place for townships residents to buy staple products. Even when prices in spaza shops are higher than in bigger out-of-town retailers, spaza shops remain popular places to buy goods as the cost of transport often inhibits consumers going out of the township. Also, unlike some of the out-of-town retailers, many spaza shops give credit to customers, which acts as a huge incentive to shop within the community (Ballantine, Rousseau & Venter, 2008; Roos et al., 2013).

Considering this important role that spaza shops evidently play in society, this study aims to contribute to their survival.

## **1.6 Conclusion**

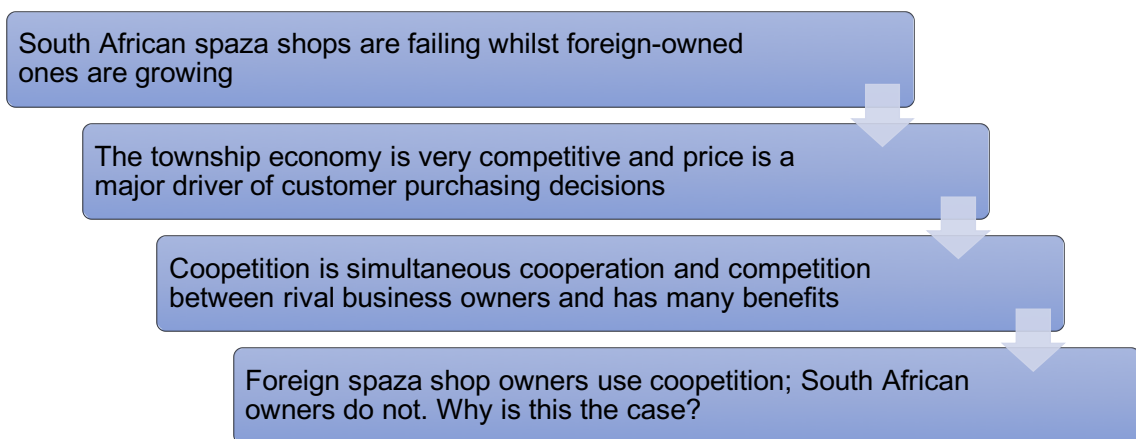
This chapter has put forward the problem statement and outlined the context, purpose and relevance for this study. Taking into account the macroeconomic and socioeconomic situation in South Africa, there is an important contribution to make. This study also addresses gaps in the literature on townships, competition amongst SMMEs in the township environment and why South African-owned spaza shops are not forming cooperative relationships.

## 2 CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

This section outlines the main argument that forms the basis of this study, informed by an examination of the relevant academic literature. Each subheading represents a step in the flow of the argument put forward by the researcher, as illustrated in Figure 1 below.

*Figure 1 – Flow of Argument in Chapter 2*



The second section of this chapter (2.2) is an articulation of what the existing literature says about the failure rates of spaza shops and the causes of such failure. The third section (2.3) describes the competitive landscape in South Africa townships and demonstrates that, according to the literature, price plays an important role in consumer buying decisions whereas the nationality of the shop owners is less important. It also asserts that South African spaza owners struggle to compete with foreign-owned spaza shops on price.

The fourth section (2.4) explores the literature on coopetition, its benefits, costs and how it relates to SMMEs. The fifth section (2.5) covers how foreign-owned spaza shops use their networks to form coopetitive relationships (and thus become more price competitive), and goes on to look at possible reasons why South African owners do not form such relationships. The final section (2.6) uses the theory discussed in the previous sections to build a model that can be used to examine why South African spaza owners do not form coopetitive relationships.

## 2.2 Failure of South African-Owned Spaza Shops

The literature was comprehensive in explaining that microenterprises in South Africa, including spaza shops, are not competitive and that they have high failure rates. There are also many studies that have looked into the causes of the failure of SMMEs and spaza shops. It is important to understand the failure rates and the reasons why spaza shops are failing as the first step towards clarifying why this study is important.

### 2.2.1 Spaza Failure Rates

The failure rate of spaza shops is high and many of them have short lifespans (Fatoki & Oni, 2016), although studies differ on the actual length of time that they survive (Strydom, 2015). Ligthelm (2012) asserts that they do not last more than three years, whereas a study done by Charman et al. (2012) showed that up to 50% of new entrants do not last longer than five years. According to several studies, the South African SMME (of which spaza shops form a significant part) failure rate is between 70 and 80% (Adeniran & Johnston, 2011; Brink, Cant & Ligthelm, 2003; Eeden, Viviers & Venter, 2003; Fatoki & Odeyemi, 2010).

Looking at the lifespan of small enterprises more broadly, in their 2010 paper Fatoki and Odeyemi (2010) asserted that 75% of South African SMMEs did not become established firms. A report by Grundling and Kaseke (2010) found that only 65% of microenterprises became established firms (over five years of operation). Rogerson (2001) looked at small enterprises across Africa and stated that many of them did not survive beyond the fragile first two years of their birth with only one percent of microenterprises growing into established firms. By any standards, the failure rate has been high, and the survival rate low.

It should be noted that some enterprises cease to operate because the owner makes the deliberate decision to do so and thus cannot be included in the failure rate. It is difficult to ascertain the proportion of spaza shops that have closed due to personal reasons, although Rogerson (2001) put it between 25 and 33%.

There are many factors contributing to the failure of spaza shops in South African townships, as can be seen in Table 1 below. Olwale and Garwe (2010) and Ligthelm (2008a) reasoned that it could be helpful to split them into external and internal factors.



Table 1 – Factors Leading to Spaza Failure

Internal Factors	External Factors
<ul style="list-style-type: none"> <li>• Low levels of innovation and entrepreneurship</li> <li>• Poor business skills</li> <li>• Lack of resources</li> <li>• Minimal access to capital</li> </ul>	<ul style="list-style-type: none"> <li>• Low levels of available finance in townships</li> <li>• Crime</li> <li>• Infrastructure</li> <li>• Poor access to markets</li> <li>• High levels of competition</li> </ul>

### 2.2.2 Internal Factors Leading to Spaza Failure

The internal factors that cause spaza shops to fail mostly relate to the individual business owner themselves in terms of their abilities and attitudes, although some of these factors are a result of the socioeconomic environment in South Africa and in townships specifically.

#### *Business Literacy*

It is well documented that many spaza shop owners do not possess the necessary business skills or entrepreneurial expertise to be competitive (Cant & Wiid, 2013; Ligthelm, 2012; Woodward et al., 2011). This appears to be across the board in terms of skills, including the inexistence of business planning, bad choice of business location, poor customer service, lack of market analysis, non-existence of marketing and a complete absence of financial management (Franco & Haase, 2010; Khosa & Kalitanyi, 2014; Olawale & Garwe, 2010). A study in the Nelson Mandela Metropolitan Municipality identified gaps in the management of sixty spaza shops with purchasing, financial and information management functions as the worst areas (Perks, 2010).

The lack of skills amongst spaza shop owners is due to various reasons such as a lack of education, the small number of appropriate training programmes for spaza owners, and the fact that many people are forced into starting a business simply to survive, meaning they are not necessarily suited (or motivated) to running a spaza shop. Furthermore, Ligthelm (2008a) argued that too many of the South African government support schemes focus on high-growth firms as opposed to the majority survivalist type enterprises.

### *Lack of Resources*

Given the survivalist nature of most spaza shops, owners do not typically have access to the resources that help the development and growth of a business, including capital, market access (transport), competent staff or any form of business advice or mentorship (Friedland et al., 2008).

The lack of access to finance is a major barrier for any business, big or small, and can lead to enterprise failure (Chebelyon-Dalizu et al., 2010; Fatoki & Odeyemi, 2010). In the township environment access to capital is almost non-existent, especially at affordable, sustainable rates (Fatoki & Odeyemi, 2010; Mahajan, 2014). This means any capital investment that spaza shop owners want to make into their business needs to come from themselves, a saving group or perhaps a family member, but given the poor financial planning and savings rates of most spaza shop owners, these options are severely limited (Ligthelm, 2004). This is particularly an issue for microenterprises as research has shown that smaller firms with less capital find it more difficult to survive than medium-sized ones (Williams, 2014). A lack of capital impacts spaza shop owners in many ways, for example, to purchase stock in bulk, conduct marketing exercises, maintain the appearance of the shop and buy larger items such as drinks fridges or shelving units.

Another resource issue is the cost of transport to purchase stock. A study by Mthimkhulu and Aziakpono (2015) demonstrated that transportation costs have a notable effect on performance. It is worth highlighting that Perks' (2010) study contradicted the idea that expensive transport is a major barrier for spaza owners, as 73% of respondents use their own vehicles to purchase stock. However, this seems to go against most studies that would agree that transport costs are a barrier for spaza shops.

### *No Growth Due to Low Entrepreneurial and Innovation Levels*

There are low levels of entrepreneurial intent in South Africa (Herrington et al., 2010; Herrington & Kew, 2016; Kelly, Singer & Herrington, 2015), which results in a lack of growth within firms (Georgellis, Joyce & Woods, 2000). Similarly, innovation levels are generally low in township microenterprises that operate in difficult macroeconomic conditions (Koellinger, 2008); in a highly competitive market with many homogenous players, this can contribute to a lack of growth in an enterprise (Georgellis et al., 2000; Neely & Hii, 1998; Prajogo, 2006).

There are other behavioural and psychological issues such as fear of failure, a lack of self-confidence, exposure to role models and propensity to taking risks that limit the success of microenterprise owners (Cumberland, Meek & Germain, 2015; Kelly et al., 2015; Robinson, Stimpson, Huefner & Hunt, 1991). Personal values also have a significant effect on SMME performance (Asah et al., 2015).

### **2.2.3 External Factors Leading to Spaza Failure**

External factors that lead to the failure of a spaza shop are generally out of the control of the spaza owner and include the macroeconomic environment, the business cycle and even the political situation in the country. It can also include institutional obstacles such as government policy, crime and security, bureaucratic corruption, and reliability of the judiciary (Ahwireng-Obeng & Piaray, 1999; Mthimkhulu & Aziakpono, 2015). Some of the major factors are outlined below.

#### *Access to Finance*

As mentioned above, the lack of access to finance is a huge issue for microenterprises and is a result of both internal and external factors. In external terms, township communities generally do not have deep savings pools and it is very difficult for any microenterprises to secure loans from banks or even from microfinance institutions (Nkaelang, Ojo & Mbarika, 2015). External forms of financing are therefore extremely limited for spaza shop owners. Mthimkhulu and Aziakpono (2015) suggested, however, that the situation is improving, as they found in their study that access to finance was not one of the biggest binding constraints on the growth of SMMEs.

#### *Access to Markets*

Poor access to markets means that spaza shop owners generally have to either travel significant distances to purchase stock (incurring costs in the process) or pay higher prices than in more developed markets (Mahajan, 2014; Moloji, 2014). In the past, there were certain items that were delivered directly to spaza shops from suppliers, especially bread, milk, soft drinks and sugar (Ligthelm, 2004, 2005; Piper & Yu, 2016) but these deliveries have stopped more recently, leaving spaza shops worse off in terms of market access. In general, suppliers and wholesalers do not give spaza shops preferential treatment, credit or allow them to negotiate cheaper prices (Tladi & Miehlabradt, 2003). A study done by the City of Cape Town supported this, pointing out that local spaza shops had very little bargaining power with suppliers and as a result were unable to negotiate better prices (KLS/CCT, 2009).

### *Infrastructure*

Infrastructure in townships is notoriously unreliable and affects the ability of any business to operate (Chebelyon-Dalizu et al., 2010; Olawale & Garwe, 2010; Webb, Morris & Pillay, 2013). Electricity is particularly important for many spaza shops to keep perishable items fresh and canned or bottled drinks cold, as well as for any cooking (some also offer cooked items to customers) and for lighting at night. Whilst alternatives such as gas cookers and electricity generators exist, both require fuel and capital investment, which is difficult for many spaza shop owners and, as such, is a major barrier to operations (Ligthelm, 2005; Mthimkhulu & Aziakpono, 2015).

### *Crime*

Crime rates in townships are often cited as a major challenge for spaza owners, and this acts as a major barrier to running a profitable business (Chebelyon-Dalizu et al., 2010; Ligthelm, 2005; Mthimkhulu & Aziakpono, 2015). Crime comes in various fashions, from customers stealing stock and overnight robbery to pickpockets stealing from customers in the middle of their transactions and even when deliveries are being made (Charman & Piper, 2012). Operating a business in an environment rife with crime is plainly very challenging for any business owner but especially for spaza shops whose structures are often rudimentary and not well secured (Ligthelm, 2004).

### *Competition*

One of the biggest external factors that contributes to the failure of South African spaza shops is competition; indeed, it was ranked in the top three problems for spaza owners in two studies by Ligthelm (2005) and Scheers (2010). In their paper Mthimkhulu and Aziakpono (2015) argued that competition was one of the biggest constraints to SMME growth along with crime, electricity and transport. In a separate paper Ligthelm (2012) asserted that less competition would lead to the survival of informal business. In a project sponsored by the Triple Trust Organisation, spaza owners in Monwabisi Park, Cape Town were surveyed and a third of respondents felt that competition was the biggest problem they faced in running their business (Chebelyon-Dalizu et al., 2010).

In one survey, 36% of respondents said they had closed their businesses due to foreign competition (Charman et al., 2012). The same survey noted that of the spaza shops still in existence, some had noticed sales of bread decrease since the arrival of Somali owned shops, from 100 a day down to just seven in some cases (Charman et al., 2012).

It is important to note that increased competition to both foreign and local spaza shops also comes from large shopping malls (Woodward et al., 2011), out-of-town supermarkets and other outlets including the entry of large retailers such as Pick n Pay into the township communities (Ligthelm, 2008b). Indeed, foreign spaza owners also feel the competition, as demonstrated in a study conducted by Khosa and Kalitanyi (2014) finding that 75% of foreign spaza owners considered competition to be tough. Strydom (2015) highlighted in his paper that the “heightened level of competition between informal businesses and formal businesses has a major negative effect on the business survival of the informal retailers” (p. 466). A study carried out in the Western Cape showed that prices in spaza shops across five categories of food were consistently higher than in large supermarkets and small in-community supermarkets or cafés, with the exception of vegetables and fruit (Roos, Ruthven, Lombard & McLachlan, 2013).

To conclude this section, there are many different factors leading to the failure of South African spaza shops. This paper aims to contribute to the design of interventions that aim to help spaza shops succeed and as such will focus on the area of competition as one of the major barriers to spaza shop survival. Focusing on competition also allows the opportunity to offer practical assistance to struggling spaza shop owners, as opposed to addressing the lack of infrastructure, access to finance, or crime levels, which are bigger, macroeconomic issues that require huge resources and government involvement to change.

## **2.3 The Competitive Landscape in Townships**

As described in the section above, South African spaza shops are failing for a variety of reasons. This study is concerned with competition from foreign-owned spaza shops, specifically on price, as one of the major causes of South African-owned spaza failure. This section looks at why price competition is such an important driver of success or failure in the spaza sector and the differences on price between foreign and South African spaza shops.

### **2.3.1 Consumers Are Driven by Price**

Physical location, customer service and even clan-loyalty (Charman et al., 2012) may play a role in driving consumer behaviour but price is expected to be a major influence on purchasing decisions, especially on staple, low quality goods (McEwan, Hughes & Bek, 2015). A study by Strydom et al. (2002) showed that price, together with freshness

and hygiene, was in the top three of 21 factors that influence customer purchasing decisions,.

Spaza shops operate in low-income communities, mostly in townships, where incomes are low and unemployment is high (Mahajan, 2014) and as such, price matters to consumers. Given the prevalence of spaza shops, it is easy to envisage that people with no job or low incomes would choose their regular, staple goods based on price and would be willing to check prices in a number of possible shops before making a purchase.

Spaza owners are aware of the competitive pressures regarding pricing and according to a study done in 2005, competitive pricing was listed in the top two most important things needed to improve a business (Ligthelm, 2005).

### ***2.3.2 Nationality Is Not a Deciding Factor in the Purchasing Decision***

The nationality of the spaza owner or manager, does not seem to affect the buying decisions of customers. In the study by Strydom et al. (2002) mentioned above, the ethnic affiliation of the shop owner came last in the list of 21 factors influencing customer purchasing decisions.

Respondents in a study by another study Charman & Piper (2012) were indifferent to foreign spaza owners and noted that they were grateful for reduced prices. A recent study by Piper & Yu (2016) showed that sometimes decisions depended on the exact type of product but still concluded that price was more important, regardless of nationality. This was confirmed by findings from a study by Charman et al. (2012) where a participant was quoted as saying “[as a Xhosa] I would do businesses with another Xhosa if they could offer the prices of the Somalis” (p. 70), which implied that despite a strong feeling of clanship, price was more important than nationality in that individual’s decision-making process.

### ***2.3.3 South African Spaza Shops Find It Difficult to Compete on Price with Foreigners***

In the spaza market it seems that one of the biggest competitive issues is price, and research suggests that South African spaza shops struggle to compete on price with foreign-owned spaza shops. A report written by the local government in Cape Town that was examining xenophobic attacks on foreign-owned spaza shops pointed out that:

The tensions that exist between foreign and local spaza shop owners are due to the fact that the spaza shop market is becoming increasingly competitive often resulting in local spaza shop owners not being able to compete effectively with foreign spaza shop owners in terms of price and changing customer preferences. (KLS/CCT, 2009, p.46)

Several studies showed that, broadly, South African spaza shops were more expensive than foreign-owned ones. In Delft, Cape Town, Somali-owned shops were found to have cheaper prices on all items except Coca Cola, and the price differential between Somali and South African spaza shops was enough to put the South Africans out of business (Charman et al., 2012). Interestingly, though, South African prices were competitive on Coca Cola and bread, both of which were delivered to the shops by distributors where long-term relationships had been established. This could also be the case in a study done of spaza shops in Gauteng, Durban and Cape Town; given supplier relationships South African-owned spaza prices were on a par with foreign-owned shops on bread and milk but more expensive on other products (Piper & Yu, 2016).

It is worth noting that South African spaza shops not only came under price pressure from foreign-owned spaza shops, but also from other outlets such as street vendors, in-community supermarkets and nearby town supermarkets. A study done in the Western Cape compared prices of multiple products across five types of outlet and although spaza prices were somewhat cheaper for fresh produce, prices were generally cheaper at the nearby town supermarket (Roos et al., 2013).

Importantly, Piper and Yu (2016) argued that it would be disingenuous to say that all foreigners undercut South African owners on price as the issue was more nuanced. For example, they found that there was a difference between nationality groupings: South Africans were found to be cheaper than Zimbabweans and Mozambicans but more expensive than Somali and Bangladeshi. Secondly, prices fluctuated across cities where product ranges supplied by producers depended on local preferences, for example where a product was more popular in Gauteng the price might be cheaper than in the Western Cape where it is less popular (Piper & Yu, 2016).

The distinction, then, was made between one group of foreigners who consistently price lower than South Africans (Somalis and Bangladeshis) and another who were at a similar level (Zimbabweans and Mozambicans). It should be noted that, in general, Piper and

Yu's (2016) findings showed that in Johannesburg "South African Spaza shopkeepers are more expensive than almost all other foreign traders" (p. 12).

## 2.4 Coopetition as a Business Strategy

The failure rates of spaza shops, causes of their failure and the drivers for heavy competition among spaza shops were highlighted above. This section introduces the concept of coopetition as a business strategy for spaza shops. It also outlines the academic literature as well as the benefits, costs and barriers associated with coopetition.

### 2.4.1 Overview

The literature of coopetition is relatively recent and is as such not as well developed as other fields of study (Dagnino & Padula, 2002; Sroka, 2012; Walley, 2007; Zakrzewska-Bielawska, 2014), with some authors viewing it as a new business model (Kotzab & Teller, 2003). The literature on the drivers of coopetition and implications of it for SMMEs is especially thin, as the focus has been mostly on large companies (Gnyawali & Park, 2009).

The foundation of the concept of coopetition stems from Nalebuff and Brandenburger's (1996) work, which used game theory to demonstrate that cooperation was a positive-sum game for competitors (Zakrzewska-Bielawska, 2014). The idea emerged as a new way of thinking as compared to traditional neo-classical economics which stated that firms were regularly in competition with each other and that any form of cooperation between firms was open to corrupt practices and that it could lead to anticompetitive behaviour (Bengtsson & Kock, 2000).

Since then, various studies have described coopetition in various ways. Morris et al. (2007) defined it as a collaborative relationship with a competitor and argued that it was a viable strategy for small business. Bengtsson and Kock, (1999) pointed out that a cooperative relationship "can include both economic and non-economic exchanges" (p. 181). Zakrzewska-Bielawska (2014) looked at the combination of two sets of behaviour relating to parts of the value chain, cooperative behaviour relating to inputs and competitive behaviour the result of the outputs.

The idea of coopetition could be described as a third way of rival businesses operating alongside each other, somewhere between cooperation and competition. Indeed, a



commonly used definition of coopetition has been applied to describe a situation where firms cooperate and compete simultaneously (Bengtsson & Kock, 1999; Gnyawali & Park, 2009; Luo, 2007; Morris, Kocak & Ozer, 2007; Sroka, 2012).

#### **2.4.2 Benefits of Coopetitive Relationships and Networks**

There are many benefits to coopetitive relationships and networks that business owners can take advantage of in order to boost their success. Gnyawali and Park (2009) argued that the literature showed that collaborative relationships played an especially important role for SMMEs in terms of performance and strategy. Fuentes, Arroyo, Bojica and Pérez (2010) asserted that social networks were an important part of the entrepreneurial process by ensuring a flow of information to the business owner, and could provide a way to use resources efficiently. Furthermore, their study showed that there was a positive and significant effect on the number of business opportunities exploited where an owner had strong relationships with other entrepreneurs (Fuentes et al., 2010).

A comprehensive review of literature relating to networks done by Pittaway, Robertson, Munir, Denyer & Neely (2004) asserted that, in fact:

The evidence from the literature review also illustrates that those firms which do not cooperate and which do not formally or informally exchange knowledge limit their knowledge base on a long-term basis and ultimately reduce their ability to enter into exchange relationships. (p.12)

Pittaway et al.'s (2004) review furthermore indicated that:

Networks are not only critical for accessing knowledge to create in-house innovations or for the diffusion of technological innovation but they are equally important for learning about innovative work practices that other organisations have developed or adopted (Erickson and Jacoby, 2003). They influence this in a number of ways: firstly, by enhancing access to knowledge - promoting awareness and early adoption of innovations - and secondly, by promoting social interaction, generating trust and reciprocity that is conducive to knowledge transfer. (pp. 12-13)

Quintana-García and Benavides-Velasco (2004) argued that by working together, companies could improve their “technological diversity”, as well as collaborate on product development. Carayannis and Alexander (1999) stated that that coopetition was important to encourage innovation in industries that were fast moving and relied on the knowledge economy. There were also studies that asserted that coopetition led to better

performance and financial success of an enterprise (Levy, Loebbecke & Powell, 2003; Lin, Wang, Tsai & Hsu, 2010).

Coopetitive relationships, at their core, see firms collaborating to leverage and share resources, create economies of scale, and mitigate risk, thereby creating mutual benefits and improving their individual ability to compete (Morris et al., 2007; Zakrzewska-Bielawska, 2014). There are numerous benefits to following a cooperation strategy that applies to different sizes of firm in different industries and can include reduced costs, shorter lead times, better access to resources, improved market knowledge, and increased access to market (Gnyawali & Park, 2009; Morris et al., 2007; Zakrzewska-Bielawska, 2014).

Several studies found that some form of buying cooperative, group or organisation helped reduce costs, which could be passed on to customers, and improve the standing of the business (Pazirandeh & Herlin, 2014; von Ravensburg, 2009). A paper by Perks (2010) recommended involvement in a buying scheme, cooperative or business association in order to negotiate better prices.

In summary, the relationships built with other business owners, as well as in the community more generally, play a key role in contributing to business success and survival. This paper argues that some of these relationships are coopetitive in nature, as businesses cooperate and compete at the same time.

#### **2.4.3 Costs and Barriers to Cooperation**

There are, of course, potential barriers to cooperation between firms, including opportunistic behaviour from one or more of the firms, asymmetric power relationships, fear of one competitor gaining better market share, concerns over free riding and a change in common goals (Zakrzewska-Bielawska, 2014). Previous negative experiences of collaborating with rivals could also be a huge barrier to the forming of cooperative relationships (Zakrzewska-Bielawska, 2014).

In addition to barriers to successful cooperative relationships, there are some negative aspects, or costs, to entering these arrangements (Morris et al., 2007; Zakrzewska-Bielawska, 2014). Obvious costs include the time and energy taken to invest in mutually beneficial relationships with rival business owners. Robson and Bennett (2001) argued that it could actually hamper financial performance resulting in loss of profits.

#### **2.4.4 Coopetition in SMMEs**

Coopetition can benefit firms of all sizes, but Gnyawali and Park (2009) asserted that it was even more important for SMMEs and that smaller firms should actually be able to engage in cooperative relationships more easily than bigger firms, given the ability of small firms to adapt their business model easily. Many small business share similar challenges and so, whilst cooperative relationships can seem counter-intuitive for many small business owners, the incentive to create mutual benefit in order to help them compete with larger firms in their respective sectors is actually bigger than in large firms (Gnyawali & Park, 2009; Morris et al., 2007).

An example of mutual benefit would be, sharing the costs of research and development for new products, as well as high technology costs, which act as a barrier to entry for small firms in many sectors (Gnyawali & Park, 2009). Morris et al. (2007) also contended that SMMEs tend to be more exposed to macro changes in the economy so and struggle to deal with shocks or black swan events making cooperative arrangements that reduce risk more attractive.

To summarise this section on coopetition, it is still a relatively new idea but there are definite benefits for SMMEs, despite some costs involved.

## **2.5 The Use of Cooperative Relationships by Spaza Owners**

The literature has shown that South African spaza shops are failing and that competition with foreign-owned spaza shops, driven by price, is one of the major reasons for this. This section will examine the use of cooperative relationships and networks by foreign spaza owners, resulting in lower costs and improved business performance. That will be contrasted with South African owners who, it seems, do not follow similar practices.

### **2.5.1 Foreign Spaza Shop Owners**

Almost all foreign spaza owners belong to a tight-knit migrant community that exists within the townships and who maintain close cultural bonds with people from their home country. The literature suggests that this community is extended into a network of effective and collaborative relationships that bring numerous benefits to the individual business owners (Charman & Piper, 2012; Gastrow & Amit, 2013; Khosa & Kalitanyi, 2014). These relationships can be described as cooperative and lead to improved individual business performance.

Liedeman et al. (2013), for instance argued that the “clan-based social networks played a key role in enabling a more competitive business model” (p. 4). Khosa and Kalitanyi (2014) proposed that “social networks are vital in the formation and growth stages of an immigrant-owned business, as networks provide the necessary support” (p. 52). Their argument was that social capital extended into other forms of support from financial capital to business advice, security protection and cheap rent, as well as sourcing cheap labour from newly arrived countrymen (Charman & Piper, 2012).

Foreign-owned spaza shops use these relationships to reduce prices through employing cheap labour (thus keeping overheads low), accessing community capital and through bulking buying or buying cooperatives (Gastrow & Amit, 2013; Khosa & Kalitanyi, 2014). In Cape Town, a study pointed out that foreign owners set up a local distribution network and this was found to reduce costs (KLS/CCT, 2009). Another study done on Somali spaza shops in the Western Cape stated that their top trade practices included buying from wholesalers, sharing transport costs and collective investment in multiple shops (Gastrow & Amit, 2013).

In terms of bulk purchasing, Charman et al. (2012) argued in their paper on foreign purchasing habits that:

Each business thus benefits from a procurement and distribution chain that supports multiple stores. As a result of their scale of operation, each buying collective, of which there are several in Delft based on ownership and social ties, is able to secure premium terms from suppliers and can reduce transport costs and ensure that shops within the group receive an uninterrupted supply of merchandise. (p.66)

One explanation as to why foreign spaza owners have been able to form cooperative relationships comes from a theory around migration and immigrant businesses, which suggests that groups of people who migrate to a new place are more likely to work together for their collective benefit by forming strong social networks (Paulk, 2015). For example, a study of microenterprises in Mexico showed that members of migrant communities had greater access to capital, which resulted in better capital-output ratios, profits and sales (Woodruff & Zenteno, 2007). The reasons why foreign spaza owners are able to do this are outside the scope of this paper, but undoubtedly exist. The aim of this paper is to determine why South African spaza owners do not have similar relationships.

### **2.5.2 South African Spaza Shop Owners**

Broadly speaking, evidence would suggest that South African spaza shops do not use their social networks to form cooperative relationships in the same way as foreign owners, with some saying that South African spaza owners operate in a “weak social network” (Liedeman et al., 2013, p. 4). For example, most South African owners do not engage in any form of buying group (Tladi & Miehlebradt, 2003) and desktop research has provided evidence that various buying schemes that have been established in the past have not succeeded:

- Shop-net / Spaza and House-Shop Owners Partnership Network, sponsored by the Triple Trust Organisation – No longer in operation
- Delft Tuck Shop Association – Failed
- Sekhukhune Rural Living Lab – No longer in operation

There are mixed views on whether South African spaza owners would even consider cooperating with other spaza owners. The study commissioned by the City of Cape Town contended that local spaza owners operated in a fragmented way and it concluded that this was a barrier to competing with foreign-owned spaza shops (KLS/CCT, 2009). Another project in Cape Town showed that before explanation, 73% of spaza shop owners would not be open to cooperation, whereas after explanation of the potential benefits, 82% were willing (Chebelyon-Dalizu et al., 2010). A study by Friedland et al. (2008) reported that spaza owners were open to purchasing stock together.

Other studies such as those by Moloji (2014) and Perks (2010) called for South African spaza shops to work together, which suggested that they were not doing so at the time. A project in Cape Town aimed at strengthening spaza shops recommended that platforms to communicate were an important first step to improving cooperation between spaza owners (Chebelyon-Dalizu et al., 2010). In 2003, in an issue of “Spaza News”, the then Gauteng Member of the Executive Council (MEC) for Finance and Economics, Jabu Moleketi, said that “Spaza owners must organise themselves so that they can speak with one voice” and that “once they are organised, it will be easier to negotiate with big wholesalers and producers about prices and services” (Moleketi, 2003, p. 1).

However, whilst the benefits of cooperation are clear, and many parties have championed increased cooperation amongst South African spaza owners, the question remains: *why*

do South African spaza owners fail to build these cooperative relationships? There have been some ideas proposed as to why this might be, which will be discussed below. However, these suggestions are only minor additions or concluding thoughts to other studies, as opposed to a focused study on the reasons why South African spaza shop owners do not form these relationships, which this study aims to do.

#### *Price Wars Are Unethical*

One possible explanation for South African spaza shops not competing on price may have to do with their historical origins. Spaza shops were first created during apartheid and the word “spaza” means hidden which they had to be at the time, given the law outlawing any black people to own businesses. At the time, it was seen as an opportunity for people in marginalised communities to earn an income and as such there was a desire to keep the market open so that anyone could benefit.

Under this tacit understanding shop owners competed on physical location, customer service and clan loyalty but prices were kept at a very similar level (Charman & Petersen, 2007). Charman et al. (2012) conducted research in Delft in Cape Town and discovered that this sentiment is still in existence and that price competition is strongly discouraged. Unlike South Africans shopkeepers who are historically discouraged from price wars, foreign spaza owners are happy to engage in such tactics.

#### *Maximising Profit is Not the Sole Aim of Enterprise*

Neves and Du Toit (2012) argued that the primary objective of spaza owners was not necessarily maximising profits and that social redistribution and mitigating risk also played a big part. They argued that “to those in the informal sector, social considerations shape and inform the diverse objectives of their activities” and that the viability of economic activity was not solely judged on making money (Neves & Du Toit, 2012, p. 145). This suggests that perhaps spaza owners do not need to use relationships to grow their business and make more money because survival is key and profit making is not the ultimate aim.

#### *Trust Is Low*

There is some evidence that a lack of trust plays a part in this reluctance on the part of South African spaza owners to cooperate with one another. A respondent in the Delft study mentioned lack of trust as one of the reasons why a group-buying initiative had failed (Charman et al., 2012). According to a Cape Town study by Chebelyon-Dalizu et

al. (2010) trust was low due to a lack of communication, although shop owners did want to build more trusting relationships as a step towards cooperation.

To summarise this section, foreign spaza owners appear to regularly form cooperative relationships, whereas South African spaza shops are more reluctant, however, there is almost no literature that suggests why this might be the case. The model for cooperation discussed in the next section will consider trust, mutual benefit and commitment as the three contributing factors to a successful cooperative relationship, which will serve as the framework for this study.

## 2.6 A Model of Cooperation

The first three sections of this chapter set the context for this study, outlining the failure rates of South African spaza shops, the reasons for this failure and the competition in townships based on price. The fourth section introduced the literature on cooperation and the fifth section showed that foreign spaza shops use cooperative relationships, whereas South African owners do not. In this final section of Chapter 2, a model will be developed to help understand why South African spaza owners do not form cooperative relationships.

A variety of theoretical foundations, conceptual models and frameworks have been used to explain or examine the concept of cooperation. Gnyawali & Park (2009), for instance, used the resource-based view (RBV), game theory and network theory to look at reasons why cooperation would be a good strategy for small firms in the technology sector. This multilevel model has some benefits but their paper looks at technological innovation and is therefore not suitable for the spaza shop environment. Padula and Dagnino (2007) and Tidström (2008) used the interorganisational dynamics theory to describe cooperation but their papers were at a highly theoretical level, as opposed to something more practical, which would be more appropriate for this context.

A study done by Zakrzewska-Bielawska (2014) used quantitative methods to examine the barriers to cooperation in the high tech sector in Poland. The study used a list of 14 different barriers and showed that there were differences depending on the area of cooperation among firms, as well as the size of the firms.

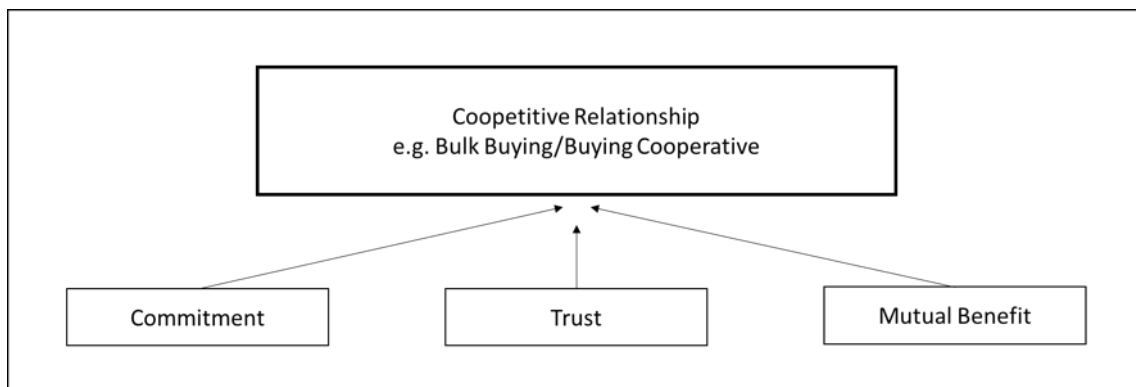
Morris et al.'s (2007) model for examining cooperative relationships among small firms, was subsequently used by Thomason, Simendinger and Kiernan (2013) as the basis for

successful coepetition. The model, which views trust, commitment and mutual benefit as the biggest drivers of a successful coepetitive relationship, is better suited for the purpose of this study. These three factors are inherently linked and are interdependent. Morris et al. (2007) argued that, in contrast to models that treat cooperation and competition as separate dynamics:

The decision to cooperate with competitors does not involve two separate behaviors, but instead requires a set of ongoing actions that are intricately interwoven. The nature of how the firm competes becomes defined by how it cooperates, and vice versa. As such, it is our contention that these dimensions must be considered simultaneously. (p. 39)

Figure 2 below illustrates the model of the factors required to form coepetitive relationships, with a more detailed examination of the three components to follow.

*Figure 2 – Contributing Factors to Successful Coepetition*



### **2.6.1 Mutual Benefit**

Mutual benefit is understood as the product of an activity that will bring positive outcomes to both or all participants in an activity. In the context of this study, mutual benefit looks at the balance between the competitive and cooperative aspects of a relationship and says that the mutual benefit of the arrangement outweighs either party's preference for a relationship based on competition or cooperation (Thomason et al., 2013).

Mutual benefit is derived from the foundation of shared goals and compatible interests, which speaks to the cooperative aspect of the relationship (Morris et al., 2007). As such there must be a clear understanding from all participating parties that a relationship will benefit both, or all, of them. This involves understanding the benefits of coepetition.



There is an argument that the higher the rivalry between two firms, the lower the opportunity for mutual benefit to exist (Morris et al., 2007). However, in the context of this study, the survival of the enterprise is vital for South African spaza shop owners, so despite high rivalry there is an imperative to work together simply to ensure business continuation.

### **2.6.2 Trust**

Trust is an important aspect of any relationship, especially in business, and is extensively covered in the literature with numerous papers on the many different drivers of trust, the causes of breakdown and the reasons for mistrust. In this regard, Morris et al. (2007) found that even in a “traditional competitive relationship, some level of trust typically exists, albeit relatively low” (p. 41). In the case of cooperative relationships trust is a fundamental requirement for success.

In cooperation, there are various aspects of trust to be considered. Firstly, how the other partner(s) will consider the cooperative aspects of the arrangement, for example how they will share information, which is essentially the balance between self-interest and mutual interest. Another aspect lies in the ability of both parties to adequately communicate the reasons for engaging in cooperation in the first place. To add to this, there are features of inter-personal relationship building between cooperative partners such as the level of participation, honesty and reliability, all of which contribute to building a relationship based on trust (Morris et al., 2007).

### **2.6.3 Commitment**

Commitment in the cooperation framework is the proven demonstration that a party is engaged in the relationship through ongoing investment in it. This investment can be financial or non-financial, perhaps in the form of knowledge exchange. The levels of commitment demonstrated by each individual may have an effect on the longer-term survival of the relationship (Morris et al., 2007).

Morris et al. (2007) also argued that some people could not commit to a cooperative relationship if they had “mixed motives” for getting involved. The implications for under commitment are quite serious, for example, if they are not willing to share the total benefit of the cooperation aspect of the relationship, it could fall apart. Amaldoss (2000) used game theory to examine the commitment between partners in cooperative relationships,

and asserted that given the complexity of commitment levels, tactics to avoid low commitment needed to be employed.

## 2.7 Conclusion

This chapter set out the literature that supports the argument of the researcher and leads to the research questions described in the next chapter. The argument made is that South African-owned spaza shops are failing whilst foreign-owned ones are succeeding. One of the major reasons for the success of the foreign-owned shops is that in a price driven market they are able to undercut South African spaza shops on price. They do this by forming cooperative relationships within their network to bring in cheap labour, access capital and, most importantly, through bulk buying. South African spaza shops find it difficult to compete on price and do not seem to form the same cooperative relationships with fellow spaza owners.

This study will fill the gap in the literature by examining why they do not form these relationships. Some suggestions have been made but there are no concentrated studies on this topic in this environment. This study will also indicate what can be done to improve the situation, especially with regards to the design of any interventions aimed at upskilling South African spaza shop owners. The final section of this chapter outlined a model to help understand why cooperative relationships have not been formed, which is the core of this study.

## 3 CHAPTER 3: RESEARCH QUESTIONS

### 3.1 Introduction

This chapter builds on the literature review in the previous chapter, which argued that South African-owned spaza shops are failing as compared to foreign-owned spaza shops, as the former do not form cooperative relationships to become more price competitive. The previous chapter also described the benefits of cooperation and outlined a model to help examine the underlying drivers for those relationships. This chapter describes the main research question, outlines five sub-questions and develops a conceptual framework which will be used throughout the study.

### 3.2 Main Research Question

As outlined in the literature review, there are studies that have examined the reasons behind spaza shop failure and the successful trade practices of foreign spaza shop owners, as well as the concept cooperation. However, there is a gap in the literature which forms the main question that this study aims to answer:

Why do South African spaza shops fail to form cooperative relationships in order to become more competitive and ensure business survival?

### 3.3 Research Sub-Questions

In order to answer the main question above, this study will consider the sub-questions listed below, breaking the main question down into component parts.

#### **SQ1: Do foreign-owned spaza shops present a major challenge to South African spaza owners?**

This question aims to understand South African spaza owners' biggest challenges and whether competition from foreign-owned spaza shops is a main concern for them. The literature suggests that foreign spaza shops present a major challenge to South African owners, although there is a recognition that there are other issues that spaza owners face in running their businesses.

#### **SQ2: How important is price in the value offering of spaza shops?**

Given the gap in the literature, sub-question two seeks to confirm an assertion that price

is a major driver in customer buying decision-making processes in townships. Of course, there are bound to be a number of drivers of the customer purchasing decision process which could include physical location, product quality and stock availability. Of importance to this study is also to see whether the nationality of the shopkeeper has any influence on customer choice of where they buy goods. It is assumed that price is at least one of the major drivers of these decisions, if not the top driver given the economic station of many township residents, whereas nationality is unimportant.

**SQ3: What do South African spaza owners perceive to be the major differences in the trade practices between themselves and foreign spaza owners?**

This question is designed to gather perceptions on the reasons that foreign spaza shop owners are more successful than South African-owners. Firstly, this question will help check if South African owners believe that foreign spaza shops are priced cheaper than themselves. Secondly, it will note the extent to which South African owners are of what their rivals do to become more price competitive, and to see if they are learning from the more successful businesses around them.

**SQ4: To what extent do South African spaza owners use their relationships and networks to run their businesses?**

Sub-question four looks at how spaza owners use their relationships to improve their business processes and potentially form cooperative relationships. The literature review described how foreigners use their relationships to get cheap labour and buy in bulk, so this question seeks to understand if South Africans do the same. The literature seemed to suggest that they do not.

**SQ5: Why do South African spaza owners fail to form cooperative relationships?**

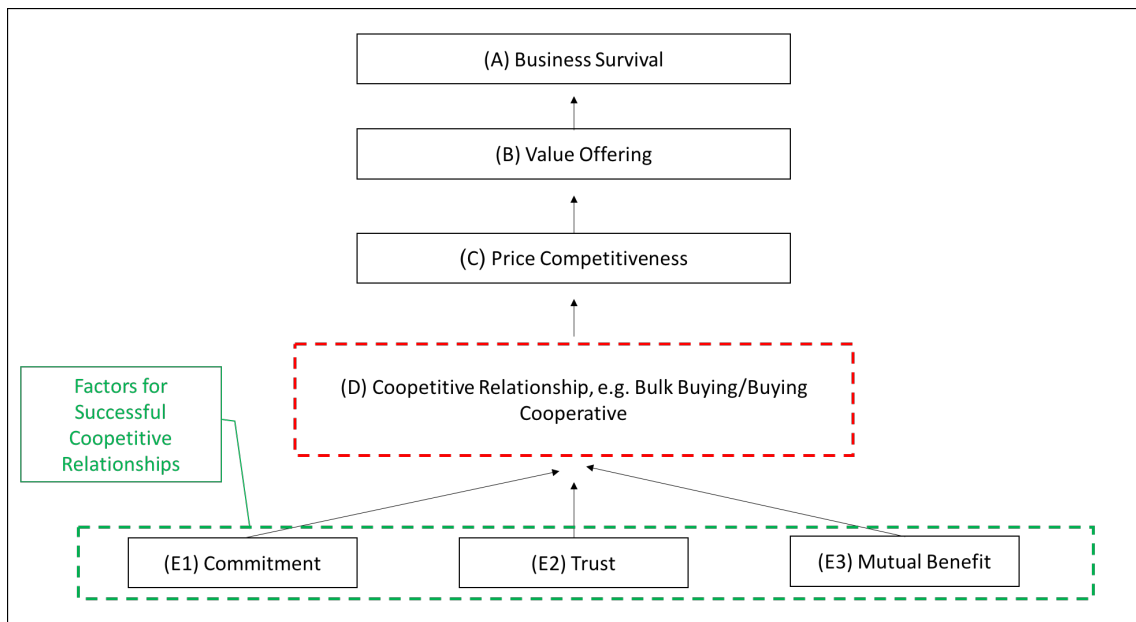
The last sub-question seeks to answer the core of this paper, attempting to understand the reasons why spaza owners do not seem to form cooperative relationships, assuming the answer to SQ four concurs that they do not. A number of issues could arise here such as trust, mutual benefit and commitment (as outlined in the model above), as well as things like the burden of history or crime, which could play a role in South African owners not forming cooperative relationships.

### 3.4 Conceptual Framework

The research sub-questions outlined above seek to understand the reasons why South African spaza owners do not form cooperative relationships in the form of a buying cooperative or bulk-buying group. Figure 3 below outlines the conceptual framework that underpins this study. As can be seen, business survival (A) is the desired outcome given the context of high spaza failure rates. The value offering (B) of any spaza is made up of numerous things such as physical location, customer service and stock availability, which are not prioritised in this study as this model places the greatest emphasis on price (C).

In order to improve price competitiveness, cooperative relationships (D) such as bulk buying in groups or establishing a buying cooperative to share transport costs can be formed. For successful cooperation to occur, three factors are recognised as being important: commitment, trust, and mutual benefit (E1, E2, E3), as described in Chapter 2 (Section 2.6).

Figure 3 – Conceptual Framework



### 3.5 Conclusion

This chapter has given the main research question and five sub-questions, which will determine the direction of the interviews conducted with the participants of this study. The conceptual framework that underpins the study was also illustrated. The next chapter will look at the research design and methodology followed in this study.

## 4 CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

### 4.1 Introduction

The previous chapter outlined the main research question and specified the sub-questions considered by this study. This chapter sets out the chosen research design, sampling technique and measurement instrument as well as the approach to gathering the appropriate data.

### 4.2 Research Design

The core of this study is to understand the reasons why South African spaza shop owners do not form cooperative relationships to build competitive advantage. The answers to the research questions involved complex, human issues such as trust, jealousy, xenophobia, Ubuntu and the burden of history. The choice of methodology influences the way a researcher collects data (Myers, 1997), and so in order for the researcher to explore these potentially sensitive topics and to get a rich set of responses, an exploratory qualitative research approach was employed.

Maxwell (2008) identified five intellectual goals for which qualitative studies are useful, including “understanding the particular context within which the participants act and the influence this context has on their actions”, and “understanding the processes by which events and actions take place” (p. 21). He went on to argue that qualitative studies can establish causal explanations and provide evidence to help improve the state of a programme or intervention. In attempting to understand why spaza shops do not partake in bulk-buying cooperatives or form relationships with fellow spaza shop owners to be more competitive, this study looked at spaza owners’ context and how it shapes their actions and as such, a qualitative design was well suited.

Exploratory research is designed to develop hypotheses, rather than test them (Kothari, 2004). In his book on exploratory research in social sciences, Stebbins (2001) said that “to understand a phenomenon well, it is necessary to start looking at it in broad, nonspecialized terms” (p. viii). As such, the researcher is required to take a relatively unstructured and flexible approach in order to explore the research questions (Kothari, 2004). The issues that this study deals with are not fully explained in literature and the researcher did not test a set of agreed hypotheses, instead, the aim was to examine why certain phenomena exist. The existence of the concept of competition in the literature and

the use of the framework set out in Chapter 3, was a helpful lens through which to examine these issues and does not negate the exploratory nature of the study.

After conducting the interviews with the participants, an inductive approach was employed to theorise why South African spaza shop owners do not form cooperative relationships to be more competitive and ensure business survival. It should be noted that the three contributing factors to successful competition (trust, mutual benefit and commitment) as outlined in Chapters 2 and 3 were used inductively, given this is an exploratory study and the model is both conceptual and not formed with this environment in mind. As such the model did not dictate the questions or the coding of the data.

### **4.3 Population**

According to Melville and Goddard (1996), a population refers to any group that is the subject of research interest. The population for this study was all spaza shops in townships in South Africa. Spaza shops have been defined in various ways.

Ligthelm (2008) defined spaza shops as small informal sector retail businesses operating in a section of an occupied residential home or in any other structure on a stand zone, that employ less than 10 employees on a full and part-time basis.

The most commonly used criteria to define a microenterprise in South Africa come from the National Small Business Act 102 of 1996, which defines it as a business with a turnover of less than R150 000 per year and one that employs fewer than 5 people (Department of Trade and Industry, 1996).

The most practical definition seemed to be from The Finmark Trust FinScope 2010 survey of small businesses in South Africa, which defined them simply as any small business with less than five employees (Grundling & Kaseke, 2010). Ali, Peerlings and Zhang (2014) used the same definition in their study of microenterprises in Ethiopia.

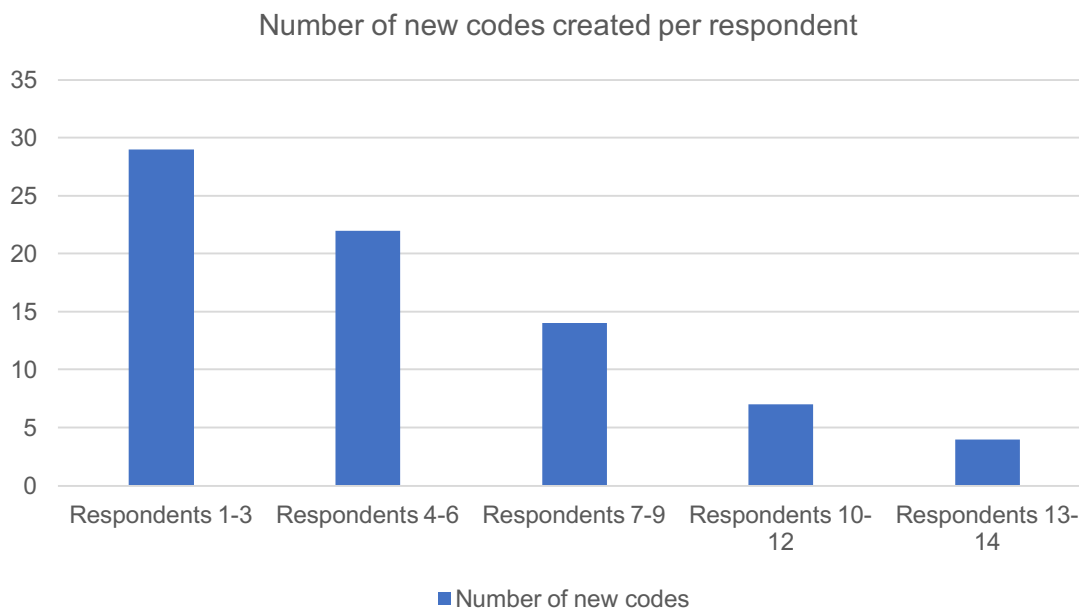
### **4.4 Sampling Method and Size**

The literature suggests that there are now fewer South African-owned spaza shops than foreign-owned ones. However, there are no comprehensive maps or lists of South African-owned spaza shops, although there have been some attempts to map them in some townships. An effort was made to get hold of these lists but it was almost impossible to confirm if they were comprehensive or not. As a result of this lack of

authenticated lists the preferred approach was non-probability purposive sampling, which was appropriate given this is an exploratory study that seeks to yield insight into and understanding of the phenomenon under study (Bloomberg & Volpe, 2012).

The sample size consisted of a total of 14 spaza owners in Alexandra Township in Gauteng. Qualitative research involves reaching data saturation which requires “collecting data until no new information is obtained” (Morse, 1995). More interviews could have been conducted but the researcher felt saturation was reached at 14 respondents as the same themes were being repeatedly raised and it was therefore deemed that 14 was a sufficient sample size to answer the research questions effectively. This can be seen in the saturation graph in Figure 4 below.

*Figure 4 – Saturation: Number of New Codes Created Per Respondent*



Alexandra Township was chosen as the oldest and therefore most established township in Gauteng, with a large native South African population. This is opposed to Diepsloot, for example, which is newer and has a higher proportion of foreign residents (Mahajan, 2014). Furthermore, given Alexandra’s geographical proximity to Sandton, the business capital of South Africa, it is likely that the economic spill over effect would result in a higher level of business activity in the township.

An attempt was made to interview foreign spaza shop owners to provide some insights into how their networks were used to form cooperative relationships. Unfortunately, many



of the foreign owners were not present on the four days the researcher was in the field and the persons running the shop were uncomfortable to give responses without the owner's presence. The few owners that were present refused to be interviewed. The literature, however, provides a good picture of how the foreign spaza shops are run, as can be seen in Section 2.5.1. As such, it was decided that interviews with foreign owners would not be further pursued.

Three non-South African citizens were interviewed but as described above in Section 2.3.3, and expanded upon below in Section 5.2.1 below, these interviews will be discussed in the results section alongside South African respondents given the similarity of the business practices and attitude to the use of relationships.

## 4.5 Unit of Analysis

The unit of analysis is the major entity that will be analysed in the research study (Hair, Wolfinbarger, Bush & Ortinau, 2008). In this study, the unit of analysis will be the owner or manager of a spaza shop, as the person responsible for the day-to-day running of the business. This study is about their feelings and thoughts on forming relationships to cooperate, so it was appropriate to use the individual as the unit of analysis.

## 4.6 Measurement

### 4.6.1 Instrument

Given the low literacy levels of spaza owners, which ruled out a self-administered survey (Fatoki & Oni, 2016), and the exploratory nature of the study, semi-structured interviews were used with the respondents. The questions were designed to be open-ended in order to give the respondents a chance to answer in their own words, as recommended by Kothari (2004) who stated that "such questions give the respondent considerable latitude in phrasing a reply" (p.120).

The interviews attempted to draw out the themes discussed in the literature review and were based around the research sub-questions:

- **SQ1:** Do foreign-owned spaza shops present a major challenge to South African spaza owners?
- **SQ2:** How important is price in the value offering of spaza shops?
- **SQ3:** What do South African spaza owners perceive to be the major differences in the trade practices between themselves and foreign spaza owners?

- **SQ4:** To what extent do South African spaza owners use their relationships and networks to run their businesses?
- **SQ5:** Why do South African spaza owners fail to form cooperative relationships?

The interview was tested on an entrepreneur from Alexandra to ensure the topics and questions asked were respectful of any cultural dynamics and were likely to give the opportunity for the desired themes to be discussed. It was also an opportunity for the researcher to ensure the questions were phrased appropriately in terms of language.

One issue the researcher took into account was around the provision of any form of financial data. Anecdotal experience shows that many spaza shops do not have a good understanding of turnover and profit figures, and more importantly, there is some suspicion over questions being asked on the topic of money with business owners fearing follow-up action from authorities such as SARS. These questions were therefore not included by the researcher to avoid any discomfort on the part of the respondent and any resulting potential bias.

The interview guide can be found in Appendix Two and the approval of ethical clearance letter in Appendix Eight.

#### **4.6.2 Data Gathering Process**

For the purpose of data collection, the researcher went into Alexandra with a research assistant who is also a community member, which helped gain trust, credibility and legitimacy with the respondents.

Translation is vitally important in both literal linguistic terms but also in terms of different meanings in different cultures, so as to get the correct meaning of the question across and the accurate response back (McGorry, 2000). With this in mind, the assistant acted as a translator and ensured that the nuances in the views given and emotions expressed were adequately translated into English for the write-up of the study.

The presence of the assistant was hugely important to the success of the interviews given the researcher was not a resident and did not speak all the languages used in Alexandra. Although the researcher dressed appropriately, the presence of an outsider caused visible discomfort to some of the respondents, especially at the beginning of the interviews. However, the assistant helped relax participants and allay any fear that the

researcher was asking questions on behalf of an authority such as SARS or even the police.

The research was conducted in Alexandra over the course of four days, during the mornings (roughly 10.00am to 12.00pm) as this is the time of day when spaza shops are less busy. An audio recording of the interviews was taken, and notes were written throughout. Interviews were conducted inside the spaza shops with the owner, research assistant and researcher sitting on crates or, in some cases, standing, in order to make the respondent feel as comfortable as possible. This choice of setting also allowed respondents to continue with their business activities during the interviews, without disrupting the interview and helping them to feel more at ease with participating.

#### 4.7 Method of Analysis

This study used an inductive approach, as described in Section 4.2. After conducting the interviews, written transcriptions were made. In the transcription process a separate translator was used to verify the in-situ translations of the research assistant. This was to ensure that no extra interpretation had been given by the research assistant during the interviews and to reduce the risk of bias. The quotes used throughout this paper were based on the second translation from the audio recording, rather than the research assistant's instant translation.

The transcripts were then coded into a set of themes based on the research questions, as set out below in Section 5.5. In the coding process, certain phrases and words were interpreted by the researcher to give a clearer picture of what the respondents were saying. For example, customer service was noted as a key method of attracting customers and the following terms were all interpreted as referring to customer service:

5:3 *"I treat them well. I don't have the time to be cursing with them."*

6:3 *"I give them some respect"*

8:2 *"What can I say? We just have this relationship with them"*

There were several occasions where respondents would contradict themselves during the interview. For example, one respondent mentioned never having cooperated with other spaza shops but then talked about participation in a stokvel with other spaza

owners. These types of contradictions were seen as fairly natural given the language barriers and potential misunderstanding of the questions. In each case, the contradiction was noted and an attempt was made to interpret the results based on the facts. In the example given above, the initial negative attitude towards cooperation was rendered invalid after the revelation about participating in a stokvel.

## 4.8 Limitations

The main limitation of the interviews was the possibility that the respondents would not give full and honest answers to the researcher. This is both a result of language barriers and interview biases. As Warner (1965) pointed out “for reasons of modesty, fear of being thought bigoted, or merely a reluctance to confide secrets to strangers, many individuals attempt to evade certain questions put to them by interviewers” (p. 63). Kotahri (2004) also indicated that whilst open ended questions are better for exploratory studies, they could be “more difficult to handle, raising problems of interpretation, comparability and interviewer bias” (p. 120).

As explained above, a research assistant was present to help reduce the risk of biased answers. In spite of this, there could have been some skew in the interviews as a result of the researcher being an outsider of a different ethnic group who was not resident in Alexandra and who could not speak the local languages.

The fact that no foreign-owned spaza shops were interviewed was another possible limitation to the study but, as discussed above, the literature has revealed much about their cooperative trading activities and provides enough of a comparative to South African owners. Furthermore, the focus of this study is on South African owners and their reasons for not forming cooperative relationships, therefore interviews with foreign spaza shop owners would not add significant value.

## 4.9 Conclusion

This chapter has described the design of this research paper and gave details on the sampling technique, measurement instrument and the approach to gathering the appropriate data. It has also highlighted a number of limitations to the study, mostly focusing on the potential for interview bias.

## 5 CHAPTER 5: RESULTS

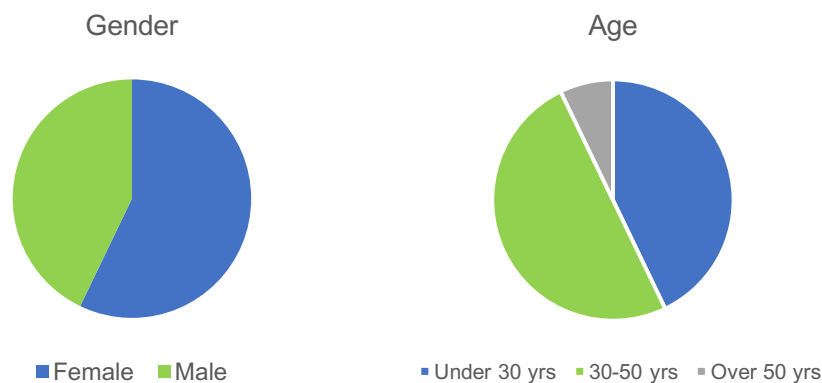
### 5.1 Introduction

The previous chapter set out the research design and the methodology that was used in this exploratory, qualitative study on spaza shops in Alexandra. This chapter will present a description of the sample, briefly discuss reliability and validity, outline the coding themes and then give the results of the interviews that were conducted, described under headings of each research sub-question.

### 5.2 Sample Description

There were 14 respondents in this study, all of whom were running or owned a spaza shop in Alexandra. There was a mixture of gender (eight females, six males) and a range of ages from late teens to mid-sixties, as seen in Figure 5 below. Language abilities fluctuated, although most had a conversational level of English and where it was very limited, the research assistant was able to translate.

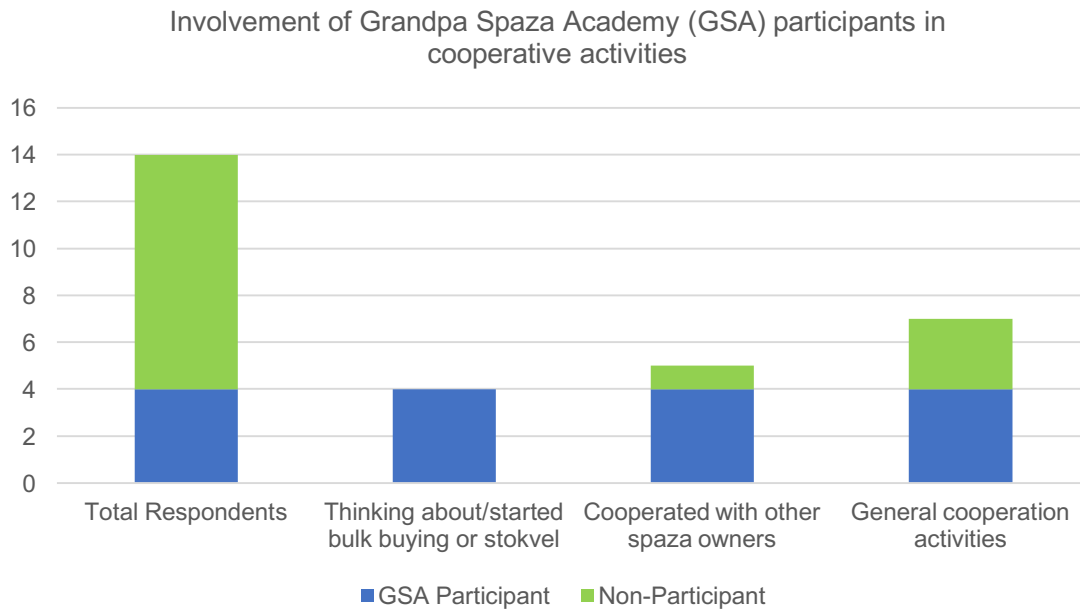
*Figure 5 – Gender and Ages of Participants*



One interesting and important factor to note is that four of the respondents (2, 10, 11 and 12) mentioned that they had participated in the Grandpa Spaza Academy, which is a training programme designed to teach spaza shop owners fundamental business skills. Part of the Academy's programme involves an in-community coach facilitating weekly group sessions for around seven spaza owners. The four respondents in this study who were part of the Academy programme were the only ones among the total 14 participants who said they were thinking about starting a bulk buying group or stock purchasing stokvel. Five of the respondents said they had cooperated with other spaza shops (2, 3,

10, 11 and 12), and seven showed evidence of cooperation activities (1, 2, 3, 10, 11, 12 and 13). Notably the four respondents who had attended the Academy were included in both of these groups.

Figure 6 – Graph Showing Involvement in Cooperative Practices



### 5.2.1 Non-South African Respondents

Of the sample, eleven were South African, one was Zimbabwean and two were Mozambican. Of the three non-South Africans, two felt that they were viewed as foreigners and the third was ambivalent on the issue of nationality. The nationalities of the respondents and the way they described their identity is important to this study. As discussed in Section 1.3.1 and 2.3.3, it could be somewhat misleading to label anyone not of South African nationality or citizenship as “foreign” in this context.

The interviews supported the idea that when it comes to the type of cooperative practices that are central to this study, such as bulk buying, there seems to be a distinction between “foreigners” (Somalis, Ethiopians and Pakistanis) and other non-South African citizens such as Zimbabweans and Mozambicans (Piper & Yu, 2016). This latter group are seen as “outside people” but they are not the “foreigners” that spaza owners refer to as the people indulging in cooperative trade practices, who mostly comprise as Somalis, Pakistanis or Ethiopians.

The three foreigners interviewed in this sample (respondents 6, 9 and 13) appeared to be in a middle category where they were very similar to South African spaza owners in terms of their challenges (for example, one cited competition from Somalis as their biggest challenge), price setting (one said they were cheaper than everyone, one said they were similar to foreigners and the other said Somalis were cheaper than them), and most importantly their attitudes to, and use of, networks for building cooperative relationships in order to participate in practices like bulk buying. The only obvious difference between them and the South African respondents was that the non-South African citizens were victims of xenophobic comments and attitudes.

As per the definition of terms in Chapter 1 (Section 1.3.1) and given the similarities between these three respondents and the South African respondents, as well as what the literature and results of this study says about “foreigners”, their results will be counted alongside the South African owners, although the xenophobia towards the non-South Africans will not go unnoticed.

### **5.3 Reliability and Validity**

The discussion on the use of the terms reliability and validity in qualitative research involves various arguments. For example, Golafshani (2003) argued that reliability and validity in qualitative research should be interpreted as trustworthiness, rigour and quality, whereas Morse, Barrett, Mayan, Olson and Spiers (2002) asserted that both reliability and validity could be applied to any research, including qualitative. Lincoln (1995) stated that in qualitative research, trustworthiness was important and that it was made up of credibility, transferability, dependability and confirmability. Using the traditional definitions, it is the nature of a qualitative and exploratory study to have weak external validity and reliability.

What seemed to be agreed upon, however, was the idea that qualitative research must do its best to demonstrate rigour in order to reduce the researcher’s own biases. The detail presented in Chapters 4 and 5 on data gathering, data analysis approach and the description of limitations helps give the paper a good sense of credibility, trustworthiness and dependability. Tactics such as using open-ended questions, the presence of a research assistant, and using a second interpreter to translate the participants’ responses all contribute towards strong methodological rigour.

Furthermore, it is important to note that the conceptual framework for understanding the contributing factors of a cooperative relationship, as outlined in Chapters 2 and 3, is based on peer reviewed studies from academic journals. Focusing in on the areas of trust, mutual benefit and commitment are therefore appropriate as a basis for understanding why South African spaza shops fail to form cooperative relationships.

## 5.4 Coding Themes

The coding themes were based on the research sub-questions that were set out in Chapter 3 and can be seen in Table 2 below. A full list of codes can be seen in Appendix Three.

Table 2 – Coding Themes

Research Question	Code Theme
Sub-question 1 - Do foreign-owned spaza shops present a major challenge to South African spaza owners?	Challenges to running a business
	Number of spaza shops in the area
Sub-question 2 - How important is price in the value offering of spaza shops?	Customer Preferences
Sub-question 3 - What do South African spaza owners perceive to be the major differences in the trade practices between themselves and foreign spaza owners?	Views on Foreign Spaza shops
	Pricing Comparisons
Sub-question 4 - To what extent do South African spaza owners use their relationships and networks to run their businesses?	Networks
Sub-question 5 - Why do South African spaza owners fail to form cooperative relationships?	Bulk Buying
	Cooperation with other spaza owners
	Ubuntu

## 5.5 Results

The results will be set out under each research sub-question below and will demonstrate the responses given during the interviews. The full list of quotations for each section are listed in the appendices (a separate one for each section). Note that quotations are written down directly and not edited for language or grammar.



### **5.5.1 SQ1: Do Foreign-Owned Spaza Shops Present a Major Challenge to South African Spaza Shop Owners?**

Respondents identified that there were either many foreign spaza shops in their surrounding areas. Although the degree of concentration of foreign to local fluctuated, numerous respondents said that most spaza shops in the area were foreign-owned.

*1:7 "Lots! Lots. Actually, out of 100%, 95 can be the outside people."*

*4:13 "Yes... a lot. Like here at section 13 I'm the only black woman."*

A range of challenges to running their businesses were identified, with competition from foreign spaza shops as the most common.

*11:1 "The challenges that we are facing. Obviously before the Somalians came we used to make a lot of money so yes we still making money but it's not like before. The competition is too high. Because, there's a shop just around the corner and also around that corner. It's Somalians. So we are in between."*

*2:2 "Challenges is only the Pakistan, otherwise it's good business because they push me to buy some things that I do not have that they sell and I get to compare prices, so I enjoy it."*

*13:1 "Before, a long time ago in 2011 our shop was the number one but thereafter, a lot of Somalians came."*

Crime also affected many respondents' ability to run their business.

*2:1 "I build this so that it can be safe because here eish.. too much tsotsis."*

*4:2 "Uhm another thing it's like yesterday, some of my customers they come to buy something, when they are buying some of them, they take the wallet. It's a big problem."*

The third major challenge mentioned was the lack of financial resources to buy stock, which resulted in annoyed customers.

*10:2 “Our biggest challenge is that we don’t have the money to go and buy stock. And you find that customers tend to complain a lot when they come to the store and they don’t find the product that they are looking for.”*

*14:1 “The biggest challenge is...all I can say is that financial...because we didn’t have more stock.”*

Other challenges included poor infrastructure (water and electricity), customers who wanted credit and the fluctuation in supplier prices.

Xenophobia was mentioned by two of the non-South African owners.

*6:1 “When I have my own business, people call me names. Firstly, they say we bewitch them and say a lot. This doesn’t sit well with me. Even where we go and stock sometimes they call us names but we keep quiet and focus on ourselves instead of replying. I have children who go to school and need to be supported. All the things they say badly about us we don’t know about them while we are just working.”*

*13:7 “For me as a man, a lot of people...they are the ones who will say I am a foreigner. But we wish to tell them that we are coming together with them as one. But they have that old mindset which looks at us and says, “you’re Mozambicans” but that doesn’t sit well with us. But then we don’t fight with them, we say of course we are from Mozambique and there’s no problem.”*

For the remaining quotations that relate to this question, please refer to Appendix 4.

### **5.5.2 SQ2: How Important Is Price in the Value Offering of Spaza Shops?**

Respondents were asked about customer preferences from two perspectives. Firstly, they were asked what they thought attracted customers to their shop, and secondly, to imagine they were a customer and what would influence them to choose one spaza over another.

Overwhelmingly the most important aspect, from both perspectives, was customer service.

6:3 *"I treat them well. I don't have the time to be cursing with them. They just buy as I'm happy to see them when they come and so they get what they want."*

10:5 *"I would like to find that the person who is going to sell to me sells to me in a nice way"*

14:4 *"It's because of the relationship I have with the customers. They come and they smile, we laugh."*

Price was raised by many of the respondents as being very important to customer purchasing decisions. Of those who didn't raise it directly, when asked if price was an important influencer most respondents confirmed it was.

5:3 *"Oh yes, people consider the prices that they buy their products for from you."*

8:4 *"It would be the price as they sometimes differ in prices"*

11:10 *"Yeah! Yeah! Coz obviously if you go shopping you do compare prices you don't just buy."*

Two respondents said that price was not an important factor:

4:12 *"Interviewer: Do you think price plays a factor as well? Participant: No"*

14:7 *"Well...actually for me, I don't go for cheap one. I'd go for that one that treats me well."*

Importantly for this study, only two respondents felt nationality was an issue, with one feeling that people came to her shop because she was a black person:

3:5 *"What can I say? I think it's because I'm a black person and people see me as an ok person"*

The other respondent who felt nationality was of importance was one of the non-South African respondents who felt that people didn't buy there because of her nationality:

*5:4 "There are others who don't like me who go to other shops as they don't like seeing us working."*

A third respondent made it clear that nationality was not important:

*11:32 "Like with some of our customers sometimes they buy here and other days they go to the Somalians."*

Other drivers of customer preferences included cleanliness, the provision of credit, loyalty, quality of goods and stock availability. For the remaining quotations that relate to this question, please refer to Appendix 5.

### **5.5.3 SQ3: What Do South African Spaza Owners Perceive to Be the Major Differences in the Trade Practices Between Themselves and Foreign Spaza Owners?**

There were a range of views about the differences between the South African-owned shops compared to the foreign ones. In terms of prices, most felt the foreigners were cheaper; this included one of the non-South African citizens.

*4:4 "Ya mhlampe [Maybe] when I sell something at maybe 50 cents they sell it at a lesser price."*

*13:2 "For example, when I sell mealie meal for about R50, the Somalians will sell it for about 40 something rand."*

*10:14 "Yes, it is difficult to work with foreigners. When I look at it, it's as if they want us South Africans to fail in our business through their actions. Things are already expensive yet they still bring prices lower than ours. They come and find things to be R10 and they make them R8 you see. As a result, we have to also bring ours down or our customers will all leave us and buy from them. That R2 we had to take down was our profit. So it seems as if we are no longer getting a profit."*

Only three respondents felt their prices were cheaper or the same as the foreign owners. Two of them went a step further by deliberately undercutting the foreigners (Pakistanis in this case).

*2:7 “Yes I go buy then I sell at a price which is less by 50 cents so that I can sell every day which would make a lot of money.”*

*12:9 “I don’t see a huge difference because when I make a price, I make sure that our prices are the same.”*

In terms of other comments and views on foreign spaza shops, their owners and their trade practices, of most relevance and a common theme was the fact that foreigners cooperate in various forms.

*1:17 “As foreigners do that. The foreign spaza shops. They do this kind of thing. They work together.”*

*11:20 “Because we are not like those foreign Somalians. At least they can work together and push each other. They are not like us. That’s why their businesses are doing very well.”*

Some of them were also aware of the common practice of bulk buying amongst foreign owners.

*2:19 “They have a lot of stock as well because they buy in bulk.”*

*11:23 “Yeah they do. That’s why their businesses are running so well because they do communicate and stock in bulk. They do help each other. They not like us.”*

In contrast, a small number did not understand how the foreign spaza shops could grow so quickly and sell their stock so cheaply. Some felt the foreigners had their own secret supplier where they got cheaper deals.

*4:27 “They’ve got their own shops that they go to. Even the airtime – they run it themselves.”*

*14:11 “That’s even a question I ask myself, because it’s not a matter of they start small then they grow like I did. Seems like they open today and after two weeks’*

*time, you find their shop has all the stock. Me it was different, I started from the street then from the street I work.”*

A number of owners referred to the fact that the foreign spaza shops sold fake or poor-quality goods:

*2:18 “Most of their things are fong kong [fake], they are not original.”*

*3:5 “Interviewer: fong kong means fake? Who sells these fong kong?  
Participant: The Somalian guys...you see this...this is from Somalians this thing”  
[\*shows researcher a box of imported chocolate bars\*]*

*4:15 “No it’s not same products, mine is real they sell fake products.”*

There were some other comments on foreign spaza shops that centred around issues such as bad customer service, the fact that no credit was offered, high levels of stock availability, and unclean shops. For the remaining quotations that relate to this question, please refer to Appendix 6.

#### **5.5.4 SQ4: To What Extent Do South African Spaza Shop Owners Use Their Relationships and Networks to Run Their Businesses?**

The interviews would suggest that most of the respondents do not utilise their networks to help make their businesses more competitive. Firstly, looking at the usage of their network to secure employees, most owners would only employ immediate family members to help them run their shop.

*11:14 “Yeah. It’s just us, a family. Me, my mom, my dad and my little sister.”*

*14:14 “It’s just family. Sometimes it’s my daughter. Not friends”.*

Less than half of the respondents had used other people in the past as employees including friends, extended family and others, but this was no longer the case.

*11:15 “We have, we have tried using people. It was some guy from Maputo, well he used to work very well and remember by that time there was no competition*

*it was just us. So we used to have a lot of customers and then I would also help him.”*

*12:12 “I used to use someone else but they left”*

Only two people were considering hiring and neither had a problem hiring someone outside of their families.

*12:13 “No I don’t. I can hire any person.”*

The second aspect of using relationships to improve the running of their businesses was whether they would consider general cooperation with other spaza owners such as borrowing money, restocking at cheaper rates, and sharing employee resources or transport costs.

The interviews showed that there was some degree of the use of a network with local spaza owners but this was at a very superficial level for the most part and only involved borrowing small items (such as a crate) or re-stocking, although it was noted that none of the restocking happened at cheaper rates. One owner was also trying to negotiate cheaper prices.

*1:10 “And now I’m under discussion with them. Saying please do me a favour. You must just cut the prices.”*

*1:12 “Let me be honest. Yes... mostly cold drinks.”*

*4:16 “Ya ya I know them. We are friends. They just greet only.”*

*6:10 “No. [I] borrowed some crates before but not worked together.”*

Two respondents used another spaza owner for advice on prices, although one was the respondent’s brother who also lent him money.

*3:22 “There is another business owner who gives us advice about 30% discount buying where he buys from at a cheaper price.”*

11:29 *“So they do help each other. If he doesn’t have money for stock he just goes to his brother and say just give me R1000 or R500 I will give it back. They just work like that.”*

11:30 *“If he finds something cheap he tells his brother you must go and buy it with a cheaper price.”*

One respondent was trying to use her network with other spaza shops and was in the process of starting a stokvel, although it is not yet functioning. It is worth noting that she was also part of the Grandpa Spaza Academy so has been exposed to the idea of coopetition and has had the chance to meet other spaza owners, therefore it was not necessarily something she did entirely by herself.

11:18 *“We and the other ladies decided to start a stokvel. So it rotates and we give each other R120 every day.”*

One respondent used to work very closely with a former owner of a nearby shop but after he died a foreign owner came in and the cooperation stopped.

2:11 *“The owner of the shop where Pakistans sell now died. Me and that owner were close, he'd buy from here and I'd buy from him as well. We were connected too much.”*

2:13 *“Yes like I don't sell bread but he does, so I would buy from him. He would get people to buy cold drink from me as mine is cold. He had a big shop but he would still support me and I liked to support him too.”*

Most respondents said they had not cooperated with another spaza owner or anyone else; one spaza owner said she would rather shut her shop than work with another business owner.

5:8 *“I would rather close”*

7:12 *“I've never worked with other people from the beginning”*

14:12 *“No...no I've never done that.”*



Finally, when asked about bulk buying groups or buying cooperatives specifically (as a way of reducing costs), only three respondents said they had talked about starting a group. All three respondents were in the Grandpa Spaza Academy and only one of these groups was functioning, although not fully.

*2:37 "I think we need to first put money in the bank, so that when we reach say R20,000 or R30,000 in bank, then we will go with three ladies there to buy, come back with slips and share with the other business partners"*

*10:09 "Yes, when we were part of the Grandpa group we had the idea. But money shortage has resulted us in not being able to do so."*

*12:24 "It's still running, we contribute R100 each and every day....one gets R500 at the end of the week to buy stock."*

The remainder of the respondents had not done any form of bulk buying or been part of a buying cooperative.

*5:10 "No, I have never heard anyone say that we are bundling"*

*12:21 "Hai, I don't know, because each and everyone just go to whatever you go to buy the stock."*

*13:14 "The whole idea of putting money together to buy stock, we've never done that."*

In summary, the interviews demonstrated that on the whole most spaza owners did not use the relationships within their networks to help run their businesses more effectively. Most would only use immediate family to assist in their shops and although there was some low-level cooperation, it was sporadic and only driven out of necessity.

Using a network to participate in bulk buying initiatives was very uncommon and those that had started to discuss it had been part of a training programme with networking opportunities. Out of the four respondents who had been involved in what could be deemed a serious cooperative initiative only one was involved in a scheme that was still functional.

For the remaining quotations that relate to this question, please refer to Appendix 7.

### **5.5.5 SQ5: Why Do South African Spaza Owners Fail to Form Coopetitive Relationships?**

The main theme emerging from the interviews was that a complete lack of trust was major reason that spaza owners gave for not forming coopetitive relationships, whether in employing people, participating in bulk buying schemes or cooperating in general with other business owners.

In terms of hiring people respondents did not trust people, in some cases family members, to watch over their shop because of stealing.

*6:9 “No, trust is low, people will steal and the shop will collapse. A family member once stole from her.”*

*5:7 “In business you can’t trust an outsider a lot but rather family who hurt you and who you can reprimand.”*

*8:19 “You can’t trust a person. Like now, we are selling, we have people we are used to who we can sit with us here while we are selling but you can see that they will sometime take money in front of you and not put it in the tin where we put money. That shows you that you can’t trust a human being. How can I leave such a person for the whole weekend if these are the things they do in your presence? And also understand that people don’t understand business. When they see that the money for the day is R300, they will take maybe R100 forgetting that money would be for stock. So I end up not being able to buy stock. This is why I cannot trust a person. When they selling and they feel it’s a lot they think let me just take R5 it’s a little.”*

*14:20 “Exactly. In a business you need trust. You asked before why I don’t leave somebody here, it’s because you need to trust somebody.”*

When it came to general thoughts on cooperation, trust again was the major barrier.

*6:12 “No – there is no trust so she would rather work alone. When money is involved people change colours”*

9:8 *“Yes, we don’t trust each other in business and we also don’t meet”*

12:26 *“No they don’t. Even myself, ok I try but I can’t say I trust someone. It’s not easy to trust someone.”*

On the idea of bulk buying or pooling resources, trust was also a major problem.

13:16 *“Eish. That thing. I wouldn’t be able to do that because a person – you can never be able to trust them. I would as a man with a car, be able to help someone if they have stock and they are walking on the road. But not that we would put money in one pool and send one person. Because what if there is change? The person wouldn’t bring it back.”*

There were some other motivations given for not getting involved in bulk buying; one predominant one was that it was a new idea to many of the respondents.

1:15 *“I didn’t have that idea, maybe as time goes on.”*

2:24 *“Yes it’s a new thing. It was not easy for black person can just go and buy in bulk.”*

5:10 *“No, I have never heard anyone say that.”*

Further reasons cited included dishonesty, a lack of communication, questions over structure, concerns over financial aspects of the process, the need for organisation, a lack of space and the fact that some people used to get deliveries from bigger companies for certain items.

2:24 *“It was always a delivery from bakers, sugar deliveries and milk.”*

2:28 *“It is working together, some are not honest.”*

3:18 *“[A] problem would be transport...another thing is my shop is small, so if we buy in bulk where would I put the stock?”*

7:13 *"It depends how its structured. For example, if he says I get free transport then I will do it but if he says I have it pay then I won't do it."*

8:17 *"Like I say. A Somalian, Zimbabwean, we don't get along and you will never have a conversation with them."*

11:27 *"I think it will need someone to organise that. Coz if there is someone then they feel like eish we need to attend cos if it's just us then they will be like ah... I will go next week it's fine. And if there is someone they feel like they need to go."*

14:17 *"It's a good idea but then, as I'm saying, I don't know how its gonna work. I sometimes don't have much. Maybe you pay less, you buy less."*

In terms of cooperation in general, as well as trust, respondents also listed issues such as jealousy, pride, poor communication skills, a lack of unity and even a fear of death as issues that have prevented them from engaging with their networks.

1:20 *"You know my brother, it is very difficult for Africans to unite and run the business."*

5:9 *"Where there is money there is jealousy and killing. So rather fail alone."*

6:14 *"No, very few people have it. People don't care about anyone else. Jealousy is huge – they don't want to see people succeed."*

10:15 *"We don't have the communication skills that the foreigners have."*

4:27 *"I wouldn't go to them and ask how they do it. I guess I have pride."*

It is important to note that in contrast to most of the respondents, a small number were open to the idea of working with other spaza shops shop owners, regardless of nationality.

3:21 *"I would love to work with them, I don't have a problem"*

12:22 *"But I wish, if I can meet those people who would like to, I would join them. I don't have a problem with that."*

14:18 *“Uhm yes, if I have people like that, I can even join those people.”*

To summarise, it emerged that a lack of trust was the major problem that prevents South African spaza owners from forming cooperative relationships to help run their businesses. Added to that were other behavioural responses such as jealousy, honesty and pride, which all act as barriers to competition. There were also some practical issues such as the need for organisation, lack of storage space and the fact that the idea of bulk buying was a new one for many. There were, however, some owners who would be happy to consider cooperating and especially bulk buying.

For the remaining quotations that relate to this question, please refer to Appendix 7.

### **5.5.6 Ubuntu**

In addition to the main sub-questions each respondent was asked if they felt Ubuntu existed in their communities, in case it revealed any other attitudes about relationships within the community. A vast majority felt that it did not, or if it did it was only with a few people.

5:12 *“It’s no longer existing. It’s gone a long time ago.”*

8:20 *“No there no longer is. Because if there was Ubuntu I would be able to leave someone to stay and sell for me but because you can’t trust someone who can take from me and someone sees them and not say anything. We don’t look out for each other as a community. So how I see it it’s as if it is no longer there. When you close late you need to make sure that you are safe or you will come back tomorrow and find everything gone.”*

12:25 *“Some...I’ll just say some people. You can’t know what’s inside someone’s heart.”*

One respondent differentiated between the Somali community and the locals:

4:28 *“Uhhh I don’t think it’s still there. One woman told me that these people [Somalis] if they were to see someone falling on the street they would just look and say shame. While if my black neighbour would even run to my family and tell them what just took place.”*

Of the four respondents who felt it did exist, only one got close to the fundamental idea of Ubuntu, as opposed to the idea of simply helping each other out. The concept of Ubuntu often involves the idea that a person is a person because of other people, which one young male South African spaza owner hinted at:

*7:14 “Yeah, because I’m living by the people. Ke phela ka batho [I live because of the people].”*

For the remaining quotations that relate to Ubuntu, please refer to Appendix 7.

## 5.6 Conclusion

This chapter has set out the results, in line with the research questions put forward in Chapter 3. Table 3, below, depicts a summary of the responses from participants alongside the research sub-questions.

*Table 3 – Summary of Response to Research Questions*

Research Question	Summary response
<b>SQ1:</b> Do foreign-owned spaza shops present a major challenge to South African spaza owners?	They are a major issue along with crime and lack of money to purchase stock.
<b>SQ2:</b> How important is price in the value offering of spaza shops?	Customer service is the biggest issue, but price is very important.
<b>SQ3:</b> What do South African spaza owners perceive to be the major differences in the trade practices between themselves and foreign spaza owners?	Foreigners cooperate and buy in bulk, but they also sell fake goods and don’t match up on customer service. Their prices are generally cheaper.
<b>SQ4:</b> To what extent do South African spaza owners use their relationships and networks to run their businesses?	They do not use their relationships to cooperate with other spaza shop owners. They sometimes use family to help run shops but would not have anyone else to help.

<p><b>SQ5:</b> Why do South African spaza owners fail to form cooperative relationships?</p>	<p>Trust is a major barrier to forming cooperative relationships. Trust stops cooperation with other business owners, as well generally in the wider community. In many cases this is due to a negative experience (mostly a friend or family member stealing from them). Bulk buying is also a new idea for many owners. For those owners trying to work with other owners, communication is poor and organisation is lacking.</p>
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## 6 CHAPTER 6: DISCUSSION OF RESULTS

### 6.1 Introduction

The previous chapter presented the results of the qualitative interviews that were conducted with 14 South African spaza shop owners for the purpose of this study. The results were set out under the headings of the five research sub-questions that were presented in Chapter 3.

This chapter will look at those results and discuss them in more detail in the context of the research questions, relating it back to the academic literature discussed in Chapter 2. The core argument of this study is that foreign spaza shops form cooperative relationships to access capital, employ labour and purchase stock in bulk, in order to undercut the prices of the South African-owned spaza shops. This is one of the reasons that accounts for the high failure rate of the South African owned spaza shops (Ligthelm, 2012). According to this study, the South African spaza shop owners do not form the cooperative relationships that the foreigners do, primarily due to a lack of trust but also because a lack of mutual benefit and the difficulty of commitment.

### 6.2 The Challenge of Foreign Spaza Shops

The first research sub-question was: Do foreign-owned spaza shops present a major challenge to South African spaza owners? The intention of this question was to understand the respondents' perceptions of the suggestion in the literature that foreign-owned spaza shops are growing in number whereas South African-owned ones are failing (Charman et al., 2012; Piper & Yu, 2016).

The responses to this question showed that there was a recognition by the South African spaza owners of the growing numbers of foreign spaza shops in their surrounding area. There were differing estimations of the concentration of foreign-owned spaza shops, however the results corroborate studies such the one by Piper & Yu (2016) suggesting that many stores are owned by foreigners. A full audit of spaza shops in townships would need to be carried out to back up the assertion by Charman et al. (2012) that in some areas most spaza shops are now foreign-owned.

Given the exploratory nature of this study and the open-ended questions used in the interviews, it is instructive that when the respondents were asked generally about challenges, competition from foreigners was mentioned more frequently than any other



challenge. In fact, half the respondents volunteered competition as one of their biggest challenges. Although the number of foreign-owned spaza shops is debatable, what is apparent is that the competition posed by foreign-owned spaza shops is indeed a major challenge for the South African owners.

However, there are also numerous other major challenges that the owners have to deal with on a regular basis such as crime and a lack of financial resources to maintain stock levels in order to satisfy customer preferences. This mirrors the recognition that was outlined in Section 2.2 that there are many internal and external reasons that contribute to the failure of spaza shops (Olawale & Garwe, 2010). The lack of financial resources is a major barrier for many microenterprises and access to loans or other financial products is almost impossible (Nkaelang et al., 2015).

Crime has for a long time been a prevalent problem for business owners in townships (Preisendoerfer, Bitz & J. Bezuidenhout, 2014) and the results show that for spaza owners it comes in many forms: robbery from their stores, petty theft of stock during transactions (for example, if the owner's back is turned), pickpocketing of customers while they are at the spaza grill and even during the re-stocking process.

Whilst crime and a lack of finance are major challenges for the respondents, both are socio-economic problems that are largely exogenous. This study argues that competition from foreign-owned spaza shops is something to which South African spaza owners could respond by forming cooperative relationships.

To answer the first research sub-question, in short, is that competition from foreign-owned spaza shops was the challenge that the South African spaza shop owners referred to most.

### **6.3 Price as a Major Factor in the Value Offering**

The second research sub-question was: How important is price in the value offering of spaza shops? This question was an attempt to gauge to what extent township consumers were price-driven and if something like the nationality of the shop owner would play a role in a purchasing decision. Ligthelm (2005) found that price was an important factor and that spaza owners recognised the need to set pricing at competitive levels. Charman et al. (2012) supported these findings that consumers were more concerned with price than the nationality of the shop owner. The study by Strydom et al. (2002) also showed

that price was in the top three factors influencing customer purchasing decisions, whereas the ethnic affiliation of the shop owner was last in his list of 21 factors.

The chosen research design for this study meant it would have been inappropriate to lead respondents in their responses so a list of factors was not given. Instead, the opportunity was given to discuss what was important for customers, as well as talk about what they valued as customers themselves. Many respondents suggested that, in fact, customer service was the biggest driver for attracting repeat customers and that it was the most important aspect of the value offering for which they were looking when acting as a customer. Price was not mentioned as much as customer service, it was, however, listed as an important consideration in a customer's decision process. A small number of owners stated that it was obvious that price was the most important thing.

It is worth noting that customer service was the major topic when respondents were asked an open-ended question about what brought customers back to their shops, as well as what things they themselves looked for when choosing which spaza to buy from as a customer. However, when asked directly whether price was a factor, almost all the respondents said that it was very important.

There was also a palpable feeling from respondents (especially given their facial expressions) that it did not need to be said that price was a major driver of the decision, it was self-evident. This could possibly be down to a weakness in the questions asked and it would be interesting to see the results of a more direct set of questions with a list of possible factors, however that was not that nature of this study.

Another important point here is that the value offering discussed in this section is specific to spaza shops in relation to one another, rather than an out-of-town shop for example, where different dynamics exist. In that case part of the value offering of a local spaza shop is convenience and lower transport costs.

In summary, according to the respondents of this study, price is indeed an important part of the value offering, although customer service is equally important in driving consumer purchasing decisions.

## **6.4 Trade Practices of Foreign-Owned Spaza Shops**

The third research sub-question was: What do South African spaza owners perceive to be the major differences in the trade practices between themselves and foreign spaza

owners? This question was designed to see if the South African spaza owners were aware of the trade practices that foreigners use such as bulk buying and it was also important to understand if they deemed foreign-owned spaza shops to be cheaper than their own.

The results showed that, firstly, most of the South African spaza owners felt that the goods in foreign-owned spaza shops were priced lower than theirs, which is broadly in line with the literature (KLS/CCT, 2009; Piper & Yu, 2016). Sometimes this was only by a few cents but in a price-driven market these small margins make a difference (Strydom et al., 2002). Some of the respondents saw the price competition as a helpful reference to set their own prices, which demonstrates that the South African spaza owners can learn from the practices of the foreign owners; the inference being that they could also learn other business process methods from them.

Many of the respondents referred to the fact that foreigners cooperate in general terms and that they have a “united plan”, which they contrasted with the South African owners’ suspicion towards working together. There was also an awareness of the bulk buying arrangements and the possibility that the foreign owners had separate suppliers, which this paper argues are cooperative activities (Bengtsson & Kock, 2000; Pazirandeh & Herlin, 2014).

It is worth noting that in their perceptions of the foreign-owned shops, some respondents mentioned the sale of poor quality, fake or “fong kong” goods, which is interesting in light of papers which have highlighted that the discerning tastes of many township consumers could sometimes be overlooked (McEwan, Hughes & Bek, 2015). Freshness of product was the number one factor influencing customer purchasing decisions in the study by Strydom et al. (2002). This was corroborated in the interviews, revealing that the respondents were concerned about the freshness and quality of products both from their own viewpoint as customers themselves, as well as from their actual customers.

Another issue raised was the perception that foreign shops were unclean, which is also in line with the study by Strydom et al. (2002) that listed hygiene as one of the top three factors influencing a purchasing decision. Poor customer service from foreign owners and a lack of credit availability in their shops were the other major differences raised most often by respondents.

A logical inference can be made in relation to these findings. If the foreign-owned spaza shops sell products at cheaper prices than South Africans but they are failing to provide

the all-round value offering that customers desire, then there are areas that the South African owners can compete on. This has two possible implications: firstly, these parts of the value offering may be the only reason the South African spaza shops are surviving, which is something worth emphasising to the owners. Secondly, if South African spaza shops could find a way to reduce prices, given their understanding of customer needs they could win back the market share taken by the foreign owners.

In summary, the response to sub-question 3 showed that the South African owners were aware of the cooperative nature of the practices that foreign owners used and that it helped the foreign owners run their businesses more effectively, something suggested in the literature as an important contributor to business success (Fuentes et al., 2010; von Ravensburg, 2009).

## **6.5 Relationships Among South African Spaza Shop Owners**

Research sub-question four was: To what extent do South African spaza owners use their relationships and networks to run their businesses? This was designed to understand not only if they used their relationships but how they used them to run their businesses. This question was approached in two main ways: firstly, respondents were asked who they employed in their shops, and secondly, if they worked with other spaza shop owners in any way.

The literature on the scope and strength of spaza shop networks is not extensive but does suggest that South African owners tend not to get involved in any form of group buying (Liedeman et al., 2013; Tladi & Miehlebradt, 2003). The results of this study bear this assumption out, showing that the vast majority of respondents do not use their networks to build cooperative style working relationships. Some said that they did sometimes borrow basic items such as crates from other spaza owners or they might buy cool drinks from another spaza if they ran out but these are indicative of shallow relationships, not the cooperative type that this paper argues would be beneficial to them.

There were, however, a number of respondents who did indulge in cooperative relationships with other spaza owners. One respondent mentioned receiving advice from a foreign spaza owners, which is a demonstration of cooperation in knowledge transfer and as such is part of a cooperative relationship given they still compete in the marketplace (Bengtsson & Kock, 2000). Four of the respondents were involved in bulk buying groups or stock purchasing stokvels, although only one was still running and, as

has been noted, these respondents were part of the Grandpa Spaza Academy which specifically encourages this sort of behaviour. So, whilst less than a third of respondents engaged in cooperative style relationships, most of them were not functioning well and had benefited from training, which means the idea of mutual benefit had been highlighted to them (Morris et al., 2007).

The other question designed to help understand the South African use of relationships was about who they employed in their businesses. There was an overwhelming reluctance to employ anyone else in the business and this was mainly due to a lack of trust, based on first hand experiences of employees stealing from them previously. Many said they would only employ family members but some of them said they would not even do that.

So, where foreigners use the relationships in the network to cooperate and employ cheap labour (Gastrow & Amit, 2013; Khosa & Kalitanyi, 2014), most South Africans would not consider doing the same.

## 6.6 Barriers to Cooperation

The fifth and final research sub-question is really at the core of this study and asked: Why do South African spaza owners fail to form cooperative relationships? As described in Chapter 2 (Section 2.5.2), the literature is extremely light on this topic.

Charman et al. (2012) contended that path dependency was at play and that South African owners did not compete on price due to the historical foundations of spaza shop establishment. Spaza shops were originally established as a result of apartheid, as black people were not allowed to own businesses and so there was an agreement that they would not compete on price in order to allow anyone to enter the market (Charman & Petersen, 2007). However, this sentiment was not observed in this study

Another paper argued that spaza shops did not compete on price because their main aim was not to make money but to distribute wealth (Neves & Du Toit, 2012), suggesting that they would not want to use their relationships to run their businesses more effectively. Again, this idea was not really brought up by respondents in this study.

To understand the barriers to cooperation raised in this study, reference shall be made to the model set out in Chapter 3, which contended that the three main contributing factors to successful cooperative relationships are trust, mutual benefit and commitment. These

will be discussed below in relation to the findings (Morris et al., 2007; Thomason et al., 2013).

### **6.6.1 Trust**

A lack of trust was the predominant barrier to emerge from the interviews with the South African owners. The widespread lack of trust held by South African spaza owners was shown across three areas: firstly, there was a lack of trust when it came to employing people in their shops, with some respondents even saying they would not trust family members to manage the shop temporarily. Secondly, many would not trust a working relationship with other spaza owners and there were high levels of suspicion of any bulk buying scheme. Thirdly, there was a general mistrust of others in the community be it petty thieves (“tsotsis”), neighbours or customers.

This breakdown in trust has led to increased levels of suspicion and other feelings raised by respondents such as the idea that people in township communities did not want to see others succeed (this was mentioned a number of times) and that there was a high level of jealousy within their community. Part of the trust relationship, according to Morris et al. (2007) comes from an understanding of shared objectives and this understanding comes from good communication as well as an agreement on the way in which the relationship will work. Respondents highlighted that poor communication skills in general were bad, especially as compared to the foreign owners, which plays a role in leading to low trust levels.

Zakrzewska-Bielawska (2014) asserted that negative experiences of collaborating with rivals in the past affected the levels of trust and willingness to trust again. Many of the respondents had had negative experiences with employing people and in the community at large, mostly as a victim of crime, so this would very likely also contribute to the breakdown of trust.

The reasons behind the possible causes of mistrust will be explored further in a later section but for the main purposes of this study, it is clear from the results that a lack of trust is the major barrier to South African spaza shops forming cooperative relationships.

### **6.6.2 Mutual Benefit**

The second key factor for a successful cooperative relationship is mutual benefit. As described in Chapter 2 (Section 2.6.1), mutual benefit is the understanding between both parties that each will get something positive from the activities related to the relationship

through common interests (Morris et al., 2007). For mutual benefit to work, the positives from a coepetitive relationship must outweigh those of a relationship of pure cooperation or pure competition. The argument here is that business survival is more beneficial to South African spaza owners than the failure rates of spaza shops that is currently being observed (Ligthelm, 2012).

A number of respondents admitted that the idea of cooperating was a new one, either as a general concept or in reference to a bulk buying cooperative. Many also said that they needed organisation or the presence of an external third party to encourage them to work together and that cooperation was unlikely if they were left to their own devices.

Morris et al. (2007) asserted that the higher the rivalry between firms, the less likely mutual benefit will occur. This may also play a role in the context of this study given spaza shops are relatively homogenous in terms of value offering so rivalry is high.

These factors combine to suggest that low levels of mutual benefit also prevent South African spaza shop owners from forming coepetitive relationships.

### **6.6.3 Commitment**

The third factor for successful coepetitive relationships is commitment, which in this situation is described as consistent financial and emotional investment in the relationship. The nature of the spaza shop sector in the township environment is survivalist and revenue levels can be inconsistent (Ligthelm, 2008a), which means they may not have enough money to contribute to a bulk buying group.

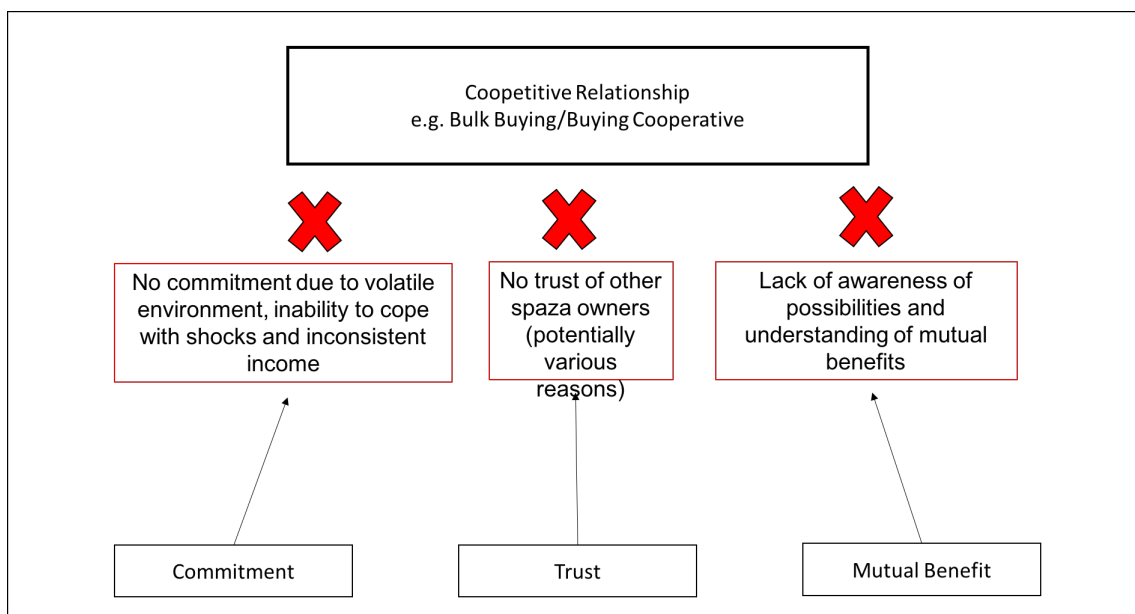
Furthermore, most businesses are unable to cope with shocks (Charman et al., 2012; Webb et al., 2013) and tend to be more exposed to macro changes in the economy (Morris et al., 2007) so if any spaza owners do experience a shock it will disrupt their ability to contribute. Whilst this seems to form part of the cycle that leads to spaza shop failure, it is apparent that at a financial level it is difficult for spaza owners to commit to a coepetitive relationship.

At a more personal level, a number of respondents raised questions about bulk buying, either concerning the type of arrangements that would be necessary or expressing doubt that the other spaza owners would be able to commit to such a relationship. This comes back to the low levels of trust between South African spaza owners and highlights the needs to bring them together.

To summarise this section, the model of successful coopetition involves three interwoven factors namely trust, mutual benefit and commitment, with trust playing a key role (Morris et al., 2007). The results show that trust is completely lacking on the part of South African spaza owners, which really is the core of the problem. Mutual benefit is not well understood as communication is poor and the idea of cooperation between rivals is a new concept to many spaza owners. Finally, commitment to the relationship is difficult in the volatile environment in which many of the spaza owners exist. This is expressed in Figure 7 below.

Given these barriers, it is not surprising that South African spaza owners do not form coopetitive relationships to become more competitive, unlike their foreign rivals who are part of tight-knit immigrant communities where relationships are inherently strong.

Figure 7 – Barriers to Coopetition



## 6.7 Causes of Mistrust

As described above, lack of trust is the major barrier to South African spaza owners forming coopetitive relationships. The next logical question that needs to be addressed would be the reasons behind this breakdown of trust. This is outside the scope of this study but it does seem to be central to the problem and so it is worth considering briefly.

Respondents demonstrated a lack of trust across three areas: the employment of people in their business, the idea of cooperating with other business owners, and more generally



regarding their community. There could be many causes of this lack of trust and some of these were highlighted in this study, in both the literature and during the course of the interviews. Three of these shall be explored below.

### **6.7.1 Crime**

Crime was listed by many of the respondents as a huge challenge in running their business and this could be a contributing factor to the breakdown of trust for these individuals. The high levels of crime were also reported in the literature as a major challenge to people running their businesses (Chebelyon-Dalizu et al., 2010; Ligthelm, 2005; Mthimkhulu & Aziakpono, 2015).

Respondents made numerous references to incidences of someone stealing from them, from customers taking products from the front of the shop whilst the owner is distracted, to overnight robbery, pickpockets stealing from customers in the middle of their transactions and even when deliveries are being made, which is in line with the study by Charman & Piper (2012). If a shop owner feels that they exist in an environment of high criminality then it is possible to understand that it is difficult for them to trust other people, even other business owners. Zakrzewska-Bielawska (2014) refers to the fact that previous negative experiences of collaborating with rivals can act as a barrier to the forming of cooperative relationships and part of this feeling could also be a result of being a victim of crime.

Interestingly, there was one respondent said that she had not been a victim of any form of crime but she still found it difficult to trust people based on the fact that they might steal from her. When asked what led her to think like this she described it as “just a feeling that I have”. Perhaps even the experiences of others around her shaped her view on the criminality within townships.

### **6.7.2 Tall Poppy Syndrome**

The cultural phenomenon of the “tall poppy syndrome” is not widely discussed in the literature but it is a commonly accepted concept and one that some have claimed exists in South Africa (Blacklaws, 2001; Mayrhofer & Hendriks, 2003). Tall poppy syndrome describes the situation where a successful person within a community is deliberately made to fail and is brought back down to the level of the performance or success of people within the community (Feather, 1994; Yee, Ashkanasy & Härtel, 2003). Mayrhofer and Hendriks (2003) argued that tall poppy syndrome acts as a barrier to entrepreneurship

in South Africa and that it may “explain the covert reluctance of many micro-entrepreneurs to attempt to improve their small businesses” (p. 597).

During the interviews with the South African spaza owners, the respondents referred to the fact that people in the community often felt jealous at the spaza shop owners’ success. This sentiment was expressed a number of times with one respondent saying that “they [the community] don’t want to see people succeed” (Respondent 6). This would seem to be the tall poppy syndrome in action, where the jealousy of others’ success may cause shop owners to be suspicious of another shop owner and thus feel reluctant to trust them in any form of cooperative relationship.

In addition to not trusting other owners’ due to their success, if the owner of a profitable spaza shop is aware of the potentially hostile reaction to their achievements they may wish to remain “under the radar” and not partake in any activities with other owners (even if it might lead to more growth) in case it gives other people an idea of the performance of their business, for example how much revenue they make, in case they become the target of the tall poppy syndrome. If this is the case then these owners would not easily trust another spaza shop owner in a cooperative-style relationship.

The syndrome can even go a step further and lead some owners to simply maintain the current performance of their business, even if it is survivalist in nature, because they worry that if they become too profitable people will want to make them fail and they may become the victim of crime.

In summary, the tall poppy syndrome could be a cause of mistrust among spaza shop owners because some of them may be suspicious of each other due to their perceptions of other people’s success, and at the same time profitable spaza shop owners could be concerned about trusting other owners in a business relationship in fear of them finding out how much money they make.

### **6.7.3 The Burden of History**

A third possible reason for the mistrust among spaza owners is the historical context in which they operate. South Africa’s apartheid history has, arguably (Charman et al., 2012), led to the economic marginalisation of township communities where crime is prevalent, unemployment is high and social cohesion is unstable. This means that many people in townships sit at the bottom end of the income inequality ladder, which is huge in South Africa, given it has one of the world’s worst Gini coefficients (World Bank, 2017).

This marginalisation and the socioeconomic environment in townships can itself lead to a lack of trust among people. A paper by Brehm and Rahn (1997) analysed data and showed that rising income inequality was a good predictor of a reduction in trust of other people. Kennedy, Kawachi, Prothrow-Stith, Lochner & Gupta (1998) argued that high income inequality led to a decrease in social capital, which resulted in an increase in the general mistrust within the community.

These dynamics are very relevant in South Africa and for the spaza shop owners who live in the community it is possible that the general mistrust among people also makes it difficult for them to trust other business owners.

## 6.8 Implications for Interventions

A number of the issues raised in the discussion of the results of this study have implications for the design of interventions that are aimed at building business skills of micro and small enterprises in townships. Two major implications are discussed here.

### 6.8.1 *Education and Awareness of Coopetition as a Strategy*

At a basic level, one observation from the interviews was that a significant number of respondents said the idea of bulk buying or sharing transport costs was a new one, so there is clearly a gap for educating spaza shop owners, which is supported in the literature (Chebelyon-Dalizu et al., 2010). As such, any programme should have components that are dedicated to these types of coopetitive tactics.

Another nuance that arose from the interviews was that South African spaza owners did not seem to learn from their foreign rivals. Whilst a number of respondents admitted that the idea of cooperating with another spaza owner was a new one, either as a general concept or in reference to a bulk buying cooperative, many of them also demonstrated that they were aware of the coopetitive trade practices that the foreign owners use, especially in terms of bulk buying.

The inability to make the connection between the practices of the more successful foreigners and the possibility of changing their own business processes needs to be addressed. In other words, South African owners are aware that foreign owners use coopetitive relationships (although, not necessarily using that specific term), that they bulk buy and that they possibly have better supplier relationships. and yet the South

Africans do not use similar tactics and, in many cases, would not even consider working with fellow business owners.

This is a considerable point of interest given the prevalence of stokvels (savings groups) in the township community, with a recent survey totalling the number of stokvels at 421,000 with a total of 8.6 million members (Ndweni, 2015; Van Wyk, 2017). These groups, established for varying reasons, are based on the idea that pooling resources as a group will benefit an individual at a given time, depending on the type of stokvel arrangement (Van Wyk, 2017). The fundamental idea of cooperating for a wider benefit does not seem aligned with the levels of mistrust between spaza owners. Perhaps the difference between a stokvel and a cooperative relationship is the absence of competition in the stokvel relationship.

The implication, nevertheless, is that there is a need to ensure that the concept of cooperative trade practices is highlighted to participants of any training programme or intervention. Mayrhofer & Hendriks (2003) argue that training programmes for microenterprises, especially those that are survivalist in nature need to first satisfy the practical needs of the owners before theory is introduced, so the idea of cooperation may be something that is introduced once participants are fully engaged in training programme.

### **6.8.2 Trust Building is Vital**

The second major implication of these results is that incorporating trust-building initiatives into any programme is vital given the absence of trust among spaza owners is the major barrier to them forming cooperative relationships. Welter & Smallbone (2006) argue that the literature on trust building is not extensive and that there needs to be more research into mechanisms of how to foster trust among business owners. However, Das & Teng (1998) looked at trust and control and concluded that trust building wherever possible is very important for business in alliances. Bergh, Thorgren & Wincent, (2011) conducted a longitudinal study that demonstrated the importance of building trust to exploit business opportunities and they put forward three mechanisms for doing so. They also point out that for some entrepreneurs it can take some time for the trust building to translate into major changes in business processes.

Three of the main issues raised by participants in this study that could contribute to building trust were: improving communication skills, the provision of opportunities to meet one another and support in organising themselves from a third party.

Communication skills can be taught as part of any skills development programme and so should be included as part of trust building as well. There may be physical issues such as data costs for mobile phones or different languages that act as barriers, but these will need to be addressed separately.

In terms of meeting other spaza owners, a project in Cape Town suggested that meeting one another was a good first step to building more trusting relationships (Chebelyon-Dalizu et al., 2010). It is also worth noting that the four respondents who said they had been attending the Grandpa Spaza Academy were the ones who were most open to, or actively engaged in, cooperative trade practices such as bulk buying groups or purchasing stokvels. A part of the Academy initiative involves group learning sessions, held in communities and facilitated by local, trained coaches. This gives spaza owners a chance to meet, share challenges and learn from each other's experiences. The programme has also shown that some groups of owners have started to cooperate voluntarily for the benefit of their own businesses. It would seem that creating the space for people to meet can make a difference in their openness to cooperate.

The lack of organisation can be combatted by third parties who are involved in any of these types of development initiatives. This organisation can take many forms, from actually curating a buying group to setting up a communications channel (for example, a WhatsApp group) with the relevant participants on it, and encouraging the process from a distance.

To summarise this section, there are two implications arising from this study for interventions, namely the importance of trust building and the education of spaza owner on cooperation. Neither of these require the development of new resources at vast expense and can easily be integrated into any existing programme. Based on the findings of this study, the benefit to spaza shop owners will be significant.

## 6.9 Conclusion

In conclusion, the discussion of the results has asserted that the objectives of this study, as set out in Chapters 1 and 3, have been met. The five research sub-questions that were asked have been answered, and conclusions were drawn in relation to the conceptual model described in Chapter 3.

The results of the study confirmed the initial assertions, in line with the literature, that South African spaza shops are being challenged on price by foreign-owned spaza shops and that in the competitive landscape, price is one of the most important factors affecting purchasing decisions. Furthermore, it was demonstrated that South African owners are not forming cooperative relationships to lower costs to become more price competitive and ensure business survival. The barriers to forming these relationships were looked at through the framework given in Chapter 3, namely the lack of trust between South African spaza owners, a poor understanding of the mutual benefit of cooperation and the reasons why commitment is difficult in the volatile township environment.

Weaknesses in the foreign spaza value offering were discussed (such as poor customer service, fake goods and hygiene issues) and this presents an opportunity for South Africans to regain market share if they could compete on price.

Finally, dynamics emerging from the interviews were described and implications for the design of interventions in townships were highlighted. This included educating shop owners regarding the advantages of cooperation, and that trust building among South African spaza shop owners was vital. This should include acquiring communication skills, a platform to meet, and improved organisation.

There could be some concerns, given this study used a relatively small sample of 14 respondents, but in light of the repeated themes in the interviews and the fact that data saturation was reached quite quickly, there is sufficient basis for the two suggestions for future interventions. The question of why trust has broken down was also discussed briefly even though it is outside the scope of this project.

## 7 CHAPTER SEVEN: CONCLUSION

### 7.1 Introduction

The previous chapter was a discussion of the results of the qualitative interviews conducted with 14 South African spaza shop owners in Alexandra Township, to understand why they fail to form cooperative relationships. This chapter will draw conclusions from the main findings of the research, as well as its limitations. It will also describe the implications for management and conclude by suggesting future areas for research.

### 7.2 Principal Findings

The research was conducted to understand why South African spaza owners fail to form cooperative relationships in order to lower costs and become more price competitive, which would ensure business survival in a competitive environment. The principal findings of this study are summarised below with the main research question being explored through five sub-questions, all of which had findings in themselves.

***Sub-question 1: Do foreign-owned spaza shops present a major challenge to South African spaza owners?***

Foreign Spaza shops do pose a serious threat to South African spaza owners as they are growing in number and their prices are, on the whole, cheaper than South African spazas. There are also some other challenges that spaza owners have to contend with such as crime and a lack of capital.

***Sub-question 2: How important is price in the value offering of spaza shops?***

According to this study, there are a number of drivers that influence customer purchasing decisions, with customer service and price appearing to be the most important things. The nationality of the shopkeeper does not seem to be a major influence on customers. A number of studies have included things like hygiene and product quality and although these were mentioned by respondents, it was apparent that price was still the biggest driver.

***Sub-question 3: What do South African spaza owners perceive to be the major differences in the trade practices between themselves and foreign spaza owners?***

South African spaza owners recognise that foreign business owners cooperate with one another and work well together, with reference to a united plan and good communication skills. They know that foreign spaza owners buy stock in bulk and that this is one of the major reasons why they can set prices below the South Africans. There are suggestions that the foreign owners have separate suppliers or supplier arrangements that give them an unfair advantage over South Africans.

On the other hand, negative differences were also identified. These included aspects such as bad customer service (deemed to be very important for customer purchasing decisions), a lack of credit lines to customers, poor hygiene levels and fake or poor-quality goods. All these suggest that, if South Africans could set their prices at a level similar to those of the foreigners, they would have space to compete given the competitiveness of the market.

***Sub-question 4: To what extent do South African spaza owners use their networks to run their businesses?***

South African Spaza owners, by and large, do not use their networks to form cooperative relationships and run their businesses. At one level, they will not employ anyone else to run their shop, even for a short time. For some owners, this included avoiding employing family members. Secondly, the South African spaza owners would not cooperate with fellow spaza owners, foreign or local, except at a shallow level.

Four respondents considered grouping together with other spaza owners, however only two were part of successful ventures, one was running a bulk buying group and one was part of a saving group (stokvel) for purchasing stock. The other two respondents talked about cooperating with other owners (i.e. forming cooperative relationships) but had failed or not started yet. All four of these participants were also part of a training programme (the Grandpa Spaza Academy) that specifically encourages cooperative relationships such as bulk buying groups.



***Sub-question 5: Why do South African spaza owners fail to form cooperative relationships?***

The final question is at the core of the study and using the conceptual model of successful cooperation, which states that trust, mutual benefit and commitment are required for a successful relationship, it is possible to see why these spaza owners do not form such relationships.

A complete absence of trust was the principal reason given for not employing anyone else, for not working with other spaza owners, and as a general response to the treatment of people within their communities. This was the biggest barrier to forming cooperative relationships and needs the most attention.

It was obvious that mutual benefit was not well understood, as the concept of cooperation or even cooperation between spaza owners was a new concept for many. This was despite the fact that many of the respondents had seen their foreign rivals indulge in such practices. This shows the lack appropriate skills training and low levels of business literacy amongst the South African Spaza owners.

Finally, commitment to a cooperative relationship was seen as very difficult for the respondents. The uncertain macro environment in which they operate means they have inconsistent revenue and income levels, making it very difficult to cope with any shock to their financial situation such as a strike or even the cost of a funeral for a friend or family member.

In summary, the principal findings of this study indicate that trust is the major barrier to South African spaza shop owners forming cooperative relationships. A lack of awareness of the benefits of cooperation play a role, coupled with poor organisation, lack of communications skills, and other socio-economic factors.

### **7.3 Implications for Management**

The findings that emerged from the interviews have a number of implications for the design of interventions in townships.

Firstly, an increased awareness of and education on the advantages of cooperation need to be shared with South African spaza owners. This should address the gap in business

literacy skills that results in many South African owners being unaware of the potential benefits of working together.

Secondly, trust building among South African spaza shop owners is very important. This should include communication skills, a platform to meet, and organisation.

On the positive side, it should be noted that if South African spaza owners were able to compete with their foreign rivals on price, there would be a good chance they could regain market share given their knowledge of the customer, emphasis on customer service and the sale of quality products.

For anyone considering an intervention to assist spaza shops, from a corporate social responsibility programme to a profitable enterprise providing training skills, these implications need to be considered.

## 7.4 Limitations of the Research

The three main limitations of the study are outlined below:

- A) Sample size – This study conducted interviews with 14 South African spaza owners. This is smaller than perhaps desired but saturation was reached with this sample and so data gathering stopped at an appropriate stage.
- B) Interview bias – This is a problem with any qualitative study where interviews are conducted, however the potential for bias was increased as the researcher was an outsider from a different ethnic group. Attempts were made to reduce this bias but it is impossible to completely rule it out.
- C) Generalisability - The generalisability of the study is limited given the vast differences between townships in South Africa. Alexandra has a very different population and different dynamics in terms of culture and entrepreneurial spirit as compared to other townships in Gauteng Province such as Diepsloot, which has a higher makeup of foreigners, for example. The townships in Gauteng are also different to those in the Western Cape given the variance in demographics and historical context of each province.

## 7.5 Suggestions for Future Research

The primary area for future research concerns the reason why trust has broken down in townships. This is not only in relation to spaza shop owners but the community at large. The demonstration that trust has broken down to the extent where spaza shop owners no longer trust their own family members to tend to their shops is alarming for social cohesion, as well as for the future economic advancement of South Africans in townships. As such, it is worthwhile to gain insights into the causes of this trust breakdown.

A second area for future research could be an in-depth study of foreign spaza owners similar to this one, to better understand their trade practices and business processes and see if there are other aspects that South African spaza owners could learn from them. Access to foreign owners is somewhat limited, as experienced in this study, but with longer timelines and more resources perhaps this would be possible.

Thirdly, given the comments about the variance in township dynamics and populations mentioned above, further studies could be carried out in other townships to see if trust is also the major barrier to cooperative relationships elsewhere. The methodology is easily replicable; therefore, any researcher could conduct a similar set of interviews in townships in Gauteng and other provinces, and draw comparisons. It would also be interesting to note any differences between spaza shops in or near urban centres compared to those in rural areas.

Finally, it is worth commenting on the fact that the literature on cooperation is still relatively new and as such, it would be helpful to have more research on cooperative relationships in the environment that this paper has studied, namely low-income or township economies.

## 7.6 Conclusion

This chapter has pulled together the main findings of the research report, highlighted its limitations and outlined the implications for management. Some suggestions for future research have also been made.

Given the current macro and socio-economic situations in townships in South Africa namely rising unemployment, high levels of crime and a latent tension between South Africans and foreigners, the imperative to create thriving economies within townships is

clear. A spaza shop offers entrepreneurs the opportunity to make their own money and create jobs at the same time. This paper hopes to contribute to the improvement of possible interventions and thus see an increase in the number of successful South African-owned spaza shops, with all the attached benefits to the local communities.

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## APPENDIX ONE: CONSISTENCY MATRIX

Questions	Literature Review	Data Collection Tool	Analysis
<b>SQ1:</b> Do foreign-owned spaza shops present a major challenge to South African spaza owners?	Charman et al., 2012; Ligthelm, 2005, 2012; Olwale and Garwe, 2010; Sheers, 2010	Interview Question 1 (Challenges of doing business)	Qualitative analysis to understand where foreign spaza shops feature in challenges to business
<b>SQ2:</b> How important is price in the value offering of spaza shops?	Charman & Piper, 2012; Ligthelm, 2005; McEwan, Hughes, & Bek, 2015a; Strydom et al., 2002;	Interview Question 2 (Customers and pricing)	Qualitative analysis to see what customers look for in value offering
<b>SQ3:</b> What do South African spaza owners perceive to be the major differences in the trade practices between themselves and foreign spaza owners?	Charman et al., 2012; Gastrow & Amit, 2013; Khosa and Kalitanyi, 2014; Pazirandeh & Herlin, 2014; Piper & Yu, 2016; von Ravensburg, 2009; Tladi & Miehlabradt, 2003	Interview Question 3 (Understanding of foreign spaza shops)	Qualitative analysis to draw out differences between South African-owned and foreign-owned spaza shops
<b>SQ4:</b> To what extent do South African spaza owners use their relationships and networks to run their businesses?	Chebelyon-Dalizu et al., 2010; Moloji, 2014; Liedeman, Charman, Piper, & Petersen, 2013; Perks, 2010; Tladi & Miehlabradt, 2003	Interview Questions 4 (Use of network) and 5 (Cooperation)	Qualitative analysis to understand how they use their network and if they cooperate with other businesses
<b>SQ5:</b> Why do South African spaza owners fail to form cooperative relationships?	Charman et al., 2012; Chebelyon-Dalizu et al., 2010; Neves & Du Toit, 2012	Interview Question 5 (Cooperation)	Qualitative analysis to uncover reasons why they do not cooperate with other business owners

## APPENDIX TWO: INTERVIEW GUIDE

### 1. Overview of business and person

- a. Tell us about yourself – How long have you run this business? Previous jobs?
- b. What are your top three challenges?
- c. How successful is this business?

### 2. Customers and pricing

- a. Do you have many regular customers?
- b. Why do you think your customers buy from your spaza?
- c. Why do you think some customers shop elsewhere?
- d. What do you think is the most important thing for a customer when they choose where to shop?
- e. How would you describe your relationship with your customers?

### 3. Understanding of foreign spaza shops

- a. Do you know if there are many foreign-owned spaza shops near here? Do you know their nationalities?
- b. What are the differences between your shop and theirs?
- c. How do foreign spaza shops prices compare to yours?

### 4. Network

- a. Do you know roughly how many spaza shops are near yours (within two streets in any direction)?
- b. Do you know any of the other owners? If yes, do you know their nationality?
- c. Can you tell me about your relationship with them?

### 5. Cooperation

- a. Do you use your personal network of friends and family to help run your spaza?
- b. Are there any other people that you rely on to help you run the shop?
- c. Do you think that working with other spaza shop owners will help you run this business?
- d. Do you or have you ever cooperated in any way with another spaza shop or business?

If yes:

- e. What nationality was the person that you worked with?
- f. In what ways have/do you cooperate/work together?
- g. Did you ever do bulk buying/buying cooperative?

If no:

- h. Has anyone ever suggested that you work together? If yes, what was suggested and why did you not end up working together?
- i. Would you consider working with another spaza shop owner? If no, why not?
- j. Have you considered buying cooperatives/bulk buying? If yes, why have you not followed through on the idea?
- k. Ubuntu: is this something you think still exists in your community?

## APPENDIX THREE: CODE LIST

Research Question	Code Theme	Code
Sub-question 1 - How big a challenge is competition from foreign spaza shops to South African owners?	SQ1 - Challenges	Challenge_Bad infrastructure
		Challenge_Competition from foreigners
		Challenge_Crime
		Challenge_Customers want credit
		Challenge_Lack of money for stock
		Challenge_Supplier prices
		Challenge_Xenophobia_FOS
	SQ1 - Number of spaza shops	Spaza_Lots foreign
	Spaza_Some foreign	
Sub-question 2 - What are customers most concerned with when choosing where to buy?	SQ2 - Customer Preferences	Cust_Cleanliness
		Cust_Credit
		Cust_Customer service
		Cust_Loyalty
		Cust_Nationality_important
		Cust_Nationality_not important
		Cust_Price_important
		Cust_Price_Not Important
		Cust_Quality goods
		Cust_Stock availability
Sub-question 3 - What differences do South African owners perceive between their spaza shops and foreign-owned ones?	SQ3 - Views on Foreign Spaza shops	Foreign_Bad customer service
		Foreign_Fake/Poor quality goods
		Foreign_More space
		Foreign_Own suppliers
		Foreign_Stock availability
		Foreign_They cooperate
	SQ3 - Pricing	Pricing_Foreign cheaper
		Pricing_SA cheaper
		Pricing_Similar
Sub-question 4 - Do South African spaza owners use their social networks to run their businesses?	SQ4 - Network	Network_Labour_Family only
		Network_Labour_Friends & family
		Network_Labour_Negative experience
		Network_Labour_Open to hiring
		Network_Labour_Used to
		Network_No one else
		Network_No trust
		Network_Spaza Owner

Research Question	Code Theme	Code	
Sub-question 5 - What reasons do spaza owners give for not using their social networks?	SQ5 - Bulk Buying	Bulk buying_Does not do	
		Bulk buying_Foreigners do it	
		Bulk buying_Is doing_Stokvel	
		Bulk buying_Money a problem	
		Bulk buying_Needs organisation	
		Bulk buying_New idea	
		Bulk buying_Will not do	
		Bulk buying_Would do	
	SQ5 - Cooperation	Cooperation_Activities	
		Cooperation_Does not need	
		Cooperation_Has done	
		Cooperation_Has not done	
		Cooperation_Jealousy	
		Cooperation_Lack of communication	
		Cooperation_No honesty	
		Cooperation_No unity	
		Cooperation_Open to idea	
		Cooperation_Pride	
		Cooperation_SA only	
		Cooperation_Trust_Building	
		Cooperation_Trust_Negative	
	SQ5 - Ubuntu	Ubuntu_Does not exist	
		Ubuntu_Exists	
		Ubuntu_Only limited amounts	

## APPENDIX FOUR: QUOTATIONS FROM INTERVIEWS (RESEARCH SQ 1)

### Number of Foreign-Owned Spaza Shops

Codes	Ref	Quotation
Spaza_Lots foreign	1:7	Lots! Lots. Actually out of 100%. 95 can be the outside people.
	4:13	Yes... a lot. Like here at section 13 I'm the only black woman.
	5:4	Yes, there is 4 or actually 5
	7:6	Lots are owned by the Indian people.
	11:1	The challenges that we are facing. Obviously before the Somalians came we used to make a lot of money so yes we still making money but its not like before. The competition is too high. Because, there's a shop just around the corner and also around that corner. Its Somalians. So we are in between.
	13:4	Yes there are. Like here at 12th Avenue. There are about four or five.
	13:5	South Africans, eish, there's not a lot them I know that have shops. We, from outside, are the ones with shops. Like Somalians, Mozambicans. Like here at 12th, I don't see one South African with a shop.
	14:8	Ya, I've got uhmmm...1,2,3,4 those are owed by Somalians.
Spaza_Some foreign	2:6	yes here its just one. Then from here its just me alone. I'm free
	3:10	Yes..yes.. there are a few this side
	6:6	There aren't many spaza shops around me that are owned by foreigners. They are mixed with South Africans.
	8:5	I'm not far from one shop which is foreign-owned.

8:6	When you say foreigners do you also mean the spaza shops that are owned by Mozambicans? Because there is also a business at the corner who also sells sli. I was the first one to sell sli here and this business hasn't been running for long selling sli as well.
8:7	Yes, in actually fact. These 1 and 2 found me here and having been here for so long.
10:6	There are... there on the other street
10:7	It's actually a mix of South Africans as well as the foreigners.
12:8	One is South African and the other is Pakistan.

## Challenges to Running Your Business

Codes	Ref	Quotation
Challenge_Bad infastructure	1:4	Lack of waters, raining. There is always challenges running a business its not going to be easy things.
	5:1	Electricity is a problem as I cannot make kota which I sell or store fresh milk which then gets spoilt. So, I have had to stop selling it in the winter.
	8:1	Electricity is our biggest challenge as we use it a lot to work such as making chips. Electricity doesn't last here in winter. We can stay a week without having electricity and not working due to this problems.
Challenge_Competi on from foreigners	2:2	Challenges is only the Pakistan, otherwise it's good business because they push me to buy somethings that I do not have that they sell and I get to compare prices so I enjoy it.
	2:5	Yes competition but it's nice because people come and say I want something and I say I do not have it then they say Pakistans have it and they stock it there at this price. So then I go stock a lot of it and put it here in my shop.

	4:5	is there a problem with the foreginers?] PARTICIPANT: Ya mhlampe [Maybe] when I sell something at maybe 50 cents they sell it at a lesser price.
	7:1	The challenge that I have, people open shop all the time.
	7:2	Yeah competition.
	13:1	Before, a long time ago in 2011 our shop was the number one but thereafter, a lot of Somalians came.
	14:2	Secondly, competition, but the competition doesn't worry me....
	10:11	Foreigners make their prices lower. And you find that the prices at Pan are high but we still need to come down with our prices. As a result we aren't making much of a profit.
	10:13	Things are expensive and the foreigners make their prices low and causes ours to be low and we end up with a small profit. The profit doesn't allow for us to put food to the table. The children are also reliant on the money. This makes it difficult to put aside money for this group.
	10:14	Yes, it is difficult to work with foreigners. When I look at it, it's as if they want us South Africans to fail in our business through their actions. Things are already expensive yet they still bring prices lower than ours. They come and find things to be R10 and they make them R8 you see. As a result, we have to also bring ours down or our customers will all leave us and buy from them. That R2 we had to take down was our profit. So it seems as if we are no longer getting a profit.
	11:1	The challenges that we are facing. Obviously before the Somalians came we used to make a lot of money so yes we still making money but its not like before. The competition is too high. Because, there's a shop just around the corner and also around that corner. Its Somalians. So we are in between.
Challenge_Crime	2:1	Yes, I started at a shack. I build this so that it can be safe because here eish.. too much tsotsis.
	2:3	No problem, just that when it gets late, after 8, here it's a driveway and there are many tsotsis I close at least about half past nine.



	2:4	Ya, crime is a problem.
	4:2	Uhm another thing its like yesterday, some of my customers they come to buy something, when they are buying some of them, they take the wallet. It's a big problem.
	4:3	You know they act like they are here to buy but they doing some crime.
	6:2	People do steal from us when we go and get water or when we take off stock such as food and cool drinks when we go and put the other things away. They steal from us and go.
	13:18	Eh! For people not to trust each other there is a lot of crime. I could say someone is my friend and when things don't go right, they'll turn on me and become a criminal. If I had given them money and the change doesn't add up.....then you'll know that's crime.
	13:20	I'm doing it because people steal. If I'm selling to someone and they ask for a cold drink I have to come here [the back of the shop] to get the drink and then they steal. People put their hand through and grab things.
Challenge_Custome rs want credit	8:2	what else there? When customers come and buy on credit, Customers are problems when it comes to credit.
	10:1	My challenges are that when people come and buy they belittle you, and when they buy they say to us that we need to be open to giving them credit so that they can support us.
	11:2	Ya. And the other one here. But then we still have customers because what we do is try to sell what the Somalians don't have in order for us to have customers.
	12:27	I give some of people a credit here but I know that sometimes it happens that someday people are trusting and will pay me back but some they don't. that's why I say some....
Challenge_Lack of money for stock	4:1	Uhm it's people when they need something that I don't have and I don't have money to stock.
	10:2	Our biggest challenge is that we don't have the money to go and buy stock. And you find that customers tend to complain a lot when they come to the store and they don't find the product that they are looking for.
	12:1	At the moment I can say money. Ya I have a challenge when it comes to money.

	12:2	Yes money for stock to add what my customers need.
	14:1	The biggest challenge is...all I can say is that financial.. because we didnt have more stock. Sometimes I look for this thing I don't have.
Challenge_Shop Assistant	3:3	Another problem is that I work alone, I do not have any assistance from anyone because they steal.
Challenge_Supplier prices	1:2	When I talk about the economy I mean the prices. It move like this. Its fluctuating all the time. So it doesn't give us, or me because I'm alone here a clear message of how can I move my business forward?
	1:3	You can just take for example petrol. The food. It's always moving like that.
	9:1	The increases of prices. The customer will come and say yesterday I brought this at this price and today it is a different price.
	14:3	thirdly is the price. They seem to be increasing all the time. This week you buy this thing for this much and when you go buy again the price has gone up. Now when you come back here and you increase your price, customers look at you and say "hau" and then don't even see the other side.
Challenge_Transport	3:1	Ehh problems ehh, transport
	3:2	Only transport becomes a problem.
Challenge_Xenophobia_FOS	6:1	When I have my own business, people call me names. Firstly, they say we bewitch them and say a lot. This doesn't sit well with me. Even where we go and stock sometimes they call us names but we keep quiet and focus on ourselves instead of replying. I have children who go to school and need to be supported. All the things they say badly about us we don't know about them while we are just working.
	13:7	For me as a man, a lot of people...they are the ones who will say I am a foreigner. But we wish to tell them that we are coming together with them as one. But they have that old mindset which looks at us and says

		“you’re Mozambicans” but that doesn’t sit well with us. But then we don’t fight with them, we say of course we are from Mozambique and there’s no problem.
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## APPENDIX FIVE: QUOTATIONS FROM INTERVIEWS (RESEARCH SQ 2)

### Customer Preferences

Codes	Ref	Quotation
Cust_Cleanliness	2:33	I think its cleanness, they get what they want and price.
	10:4	It is because I treat my customers well and my place is clean.
	11:7	Ok, for me as a customer, firstly when you buy you want to look at the shop. How clean it is.
	14:5	Because some used to tell me that my shop is clean.
Cust_Credit	4:7	If they don't have money I can give them something and they can pay me at the end of the month.
	8:2	what else there? When customers come and buy on credit, Customers are problems when it comes to credit.
	11:3	Usually, the ones that always come to the shop are the ones that, what can I say? We just have this relationship with them so as much as you find that they don't have money probably after 2 or 3 weeks after they got paid. Then they are able to come and take bread and whatever and we write it down. Then at the end of the month, they come and they pay. So with the Somalians they don't do that.
	11:4	No, the Somalians they don't, even if you are short with R2 or what, its not their problem. So those regular customers it's the ones that know even when they are short of R1 they know that they will get bread yeah.
	11:34	yeah those are my loyal customers. Even if they ask for R50 for transport I give them because I know they will pay me.

	13:6	It's the way I treat them. For example, when somebody ask me for a drink and says they will pay me back I am able to allow buy on credit. And secondly, if you are short by 10 cents the Somalians won't let you buy. I think they are scared of people running away.
	13:8	The thing that encourages them is the way that I treat them. And even if they come and they are short of money I'm able to say when you do have money you can pay me.
	13:10	Or if I am buying and I don't have money and they are able to give me I can go to them next time.
Cust_Customer service	1:5	Its hit me strongly. I feel very pain. When I see one of the customers coming from other shops and buy something from that shops. So it means that I must just think twice about my behaviour, surely. And when I say the behaviour, I'm include everything, strictly.
	1:8	I'm not the one doing the survey or investigating those things but my belief is on the customers. How can I win the customer? And I know the ways of winning the customer. Give them love, hope discipline. Price setting.
	3:9	There's a guy that buys 6 eggs every day from me, one day I ran short of eggs and had to go to the Somalians to buy the eggs. Unfortunately, the ones I bought were rotten so I asked him to return them to me because had I did not he was going to think I sell rotten things.
	4:6	What can I say? I think its because I'm a black person and people see me as an ok person to speak to.
	4:8	I think its just to be open to them.
	4:9	I think, I would want to feel free.
	4:11	If the person is friendly I will go.
	6:3	I treat them well. I don't have the time to be cursing with them. They just buy as I'm happy to see them when they come and so they get what they want.
	7:4	I give them some respect

8:3	They are probably satisfied with the service that we give them and also our sli is nice. That must make them come back.
10:3	It is because I treat my customers well
10:5	I would like to find that the person who is going to sell to me sells to me in a nice way, treats well, what I ask for they provide to me and they smile with me. Yes that.
11:3	Usually, the ones that always come to the shop are the ones that, what can I say? We just have this relationship with them so as much as you find that they don't have money probably after 2 or 3 weeks after they got paid. Then they are able to come and take bread and whatever and we write it down. Then at the end of the month, they come and they pay. So with the Somalians they don't do that.
11:9	the customer service that you are getting when you are at the store. The treatment.
12:3	Customer service.
12:4	I always laugh with my customers, I always have some special thing I give to my customers. Like a less price – danone was less R2. Like I would have specials.
12:5	That's why I'm saying people don't have customer service, like when they came here they wait 2 or 5 minutes before I arrive. Or I'm waiting outside the shop and they come inside then they end up calling me, instead of me rushing to the customer. That's why some customers they say they wont go to that shop because they waited 10 minutes.
13:6	It's the way I treat them. For example, when somebody ask me for a drink and says they will pay me back I am able to allow buy on credit. And secondly, if you are short by 10 cents the Somalians won't let you buy. I think they are scared of people running away.
13:8	The thing that encourages them is the way that I treat them. And even if they come and they are short of money I'm able to say when you do have money you can pay me.

	13:9	The thing that attracts me as a person is if they treat me well.
	13:11	Tomorrow I can go to that person and they treat me well, then the next day I go to someone else...basically, I can buy from anyone who treats me well.
	14:4	Okay well... I cant say every little bit, but its because of the relationship I have with the customers. They come and they smile, we laugh. They get used to me. They say my shop is nice and I treat people well.
	14:6	I would choose ehh the spaza that communicates well with me. If they treat me well, I go there always than going to someone that would treat me in ways I would not like.
Cust_Loyalty	2:9	Cos I see them when they come, I know all of them and they ask me, we want this and I say I do not have then they go to them. They tell me they want to support me.
	2:10	It is because I have been running this shop for a very long time and the pakistanians only came about two years ago.
	2:15	Yes, they know me - I was born here.
	11:34	yeah those are my loyal customers. Even if they ask for R50 for transport I give them because I know they will pay me.
Cust_Nationality_important	2:15	Yes, they know me - I was born here.
	4:6	What can I say? I think its because I'm a black person and people see me as an ok person to speak to.
	6:4	There are others who don't like me who go to other shops as they don't like seeing us working.
Cust_Nationality_not important	2:36	Price and quality are the most important.
	11:32	Like with some of our customers sometimes they buy here and other days they go to the Somalians.
	1:6	What's wrong with my pricing, my prices?

Cust_Price important	1:8	I'm not the one doing the survey or investigating those things but my belief is on the customers. How can I win the customer? And I know the ways of winning the customer. Give them love, hope discipline. Price setting.
	2:17	Then I go there because its cheaper. I took most of my prices from them. A lot of people like to buy there because their prices are lesser. If I compare my prices to that shop, Yhoo the Pakistans are going to be dead.
	2:33	I think its cleanness, they get what they want and price.
	2:34	It's an important thing, yes.
	2:36	Price and quality are the most important.
	3:7	Its the price... ya its the price.
	3:8	What I'm trying to express is that what matters to customers is if what they are buying is of a lesser price or what.
	3:11	Their shops look nice and full. However, customers wonder why we sell the same things at different prices, I would sell baked beans tin at R11 and they would sell it at R9
	5:3	Oh yes, people consider the prices that they buy their products for from you.
	7:3	I'm cheaper than other people.
	7:5	Sometimes it matters on the price of the item you want and also what stock is there.
	8:4	t would be the price as they sometimes differ in prices. If its R2 and R3 next door I would obviously go and get it for R2.
	9:3	Yes, it's important.
11:8	Obviously, the pricing, the product that you are buying, yeah	



	11:10	Yeah! Yeah! Coz obviously if you go shopping you do compare prices you don't just buy. You just compare first and the decide where you will buy. Or you go with the price that suits you.
	12:6	Or they say that this thing is too expensive to the other shop.
	12:7	Yes its very important.
Cust_Price_Not Important	4:12	No its not...
	14:7	Well...actually for me, I don't go for cheap one. I'd go for that one that treats me well. Maybe the cheaper is only 50 cents, which is not a big difference to me. I prefer being treated well.
Cust_Quality goods	2:36	Price and quality are the most important.
	3:4	Because bathi mina (they say), my bread is fresh, I do not have something that's fong kong...
	3:6	Its good but its cheap...and people have money and they want to buy original.
	3:9	There's a guy that buys 6 eggs every day from me, one day I ran short of eggs and had to go to the Somalians to buy the eggs. Unfortunately, the ones I bought were rotten so I asked him to return them to me because had I did not he was going to think I sell rotten things.
	4:10	If you gave me the fresh bread.
	8:3	They are probably satisfied with the service that we give them and also our sli is nice. That must make them come back.
Cust_Stock availability	2:33	I think its cleanness, they get what they want and price.
	5:2	I sell cold drinks, bread that is fresh as well as chips.
	6:5	People look at how full the shop is with stock in comparison to a spaza that isn't fully stocked. I would go where I find everything I want.
	7:5	Sometimes it matters on the price of the item you want and also what stock is there.

9:2	A lot of things that they don't have I do have them. Like magwenya, I have them. Whereas their spaza shops have grocery products, but don't have these other things. That's the biggest thing that brings customers to me.
11:2	Ya. And the other one here. But then we still have customers because what we do is try to sell what the Somalians don't have in order for us to have customers.
12:11	I sell those sweets, niks naks, they don't have, to attract children, because they don't have some stuff that I have.

## APPENDIX SIX: QUOTATIONS FROM INTERVIEWS (RESEARCH SQ 3)

### Pricing of Stock

Codes	Ref	Quotation
Pricing_Foreign cheaper	10:14	Yes, it is difficult to work with foreigners. When I look at it, it's as if they want us South Africans to fail in our business through their actions. Things are already expensive yet they still bring prices lower than ours. They come and find things to be R10 and they make them R8 you see. As a result, we have to also bring ours down or our customers will all leave us and buy from them. That R2 we had to take down was our profit. So it seems as if we are no longer getting a profit.
	4:4	Ya mhlampe [Maybe] when I sell something at maybe 50 cents they sell it at a lesser price.
	4:14	Theirs are lower than mine.
	5:5	What I have seen is that their prices are lower than ours.

	8:8	Somalians prices are lower than ours.
	8:9	Like with bread I don't understand as we are all purchasing it at the same price. If we got ours from different places I would understand in saying maybe there is somewhere where they are receiving the bread cheaper than us. But we buy from the same price. From Pan, the cold drinks we get are delivered from the same truck just as the bread. Coke was R10 but now I have added R1 as the case is R100
	9:4	Less than others
	13:2	For example, when I sell Mealie meal for about R50, the Somalis will sell it for about 40 something rand.
	10:11	Foreigners make their prices lower. And you find that the prices at Pan are high but we still need to come down with our prices. As a result we aren't making much of a profit.
	3:12	Yes... like the bread type is cheaper than mine. But might be another brand, not Albany or Sasko.
	3:11	Their shops look nice and full. However, customers wonder why we sell the same things at different prices, I would sell baked beans tin at R11 and they would sell it at R9
Pricing_SA cheaper	7:3	I'm cheaper than other people.
	2:18	Cant say the price because most of their things are fong kong, they are not original.
	2:8	INTERVIEWER: So your prices are about 50 cents cheaper than the Pakistani's? PARTICIPANT: Yes.
	2:7	Yes I go buy then I sell at a price which is less by 50 cents so that I can sell everyday which would make a lot of money.
	2:17	Then I go there because its cheaper. I took most of my prices from them. A lot of people like to buy there because their prices are lesser. If I compare my prices to that shop, Yhoo the Pakistans are going to be dead.
Pricing_Similar	6:7	Prices are similar

	11:5	Before they used to be different but now its not different and some of our prices are the same as theirs.
	11:6	Yeah like Kingsley its R10. R10 for us too. Bread is R6 and its R6. Ok airtime with us its R12.50 and with them its R12. So it's just 50c, or R1 or R2 difference.
	12:9	I don't see a huge difference because when I make a price, I make sure that our prices are the same. We just differ in some of the things.
	14:9	Price also is not that different.

## Views on Foreign Spaza Shops

Codes	Ref	Quotation
Foreign_Access to finance	10:8	Where foreigners come from. They are able to be sent money from their families and this aids them in buying stock in bundles. We are short of stock whereas they get together in groups and buy together in pallets. So we are very short of stock.
	14:11	That's even a question I ask myself, because its not a matter of they start small then they grow like I did. Seems like they open today and after two weeks time, you find their shop has all the stock. Me it was different, I started from the street then from the street I work.
Foreign_Bad customer service	11:11	What I can say, usually why people complain about is their customer service. Like if don't have something I will say why don't you go and buy there by the corner? They will be like no those guys their customer service is very bad.
	13:6	It's the way I treat them. For example, when somebody ask me for a drink and says they will pay me back I am able to allow buy on credit. And secondly, if you are short by 10 cents the Somalians won't let you buy. I think they are scared of people running away.

Foreign_Bulk buy	2:19	They have a lot of stock as well because they buy in bulk.
	10:8	Where foreigners come from. They are able to be sent money from their families and this aids them in buying stock in bundles. We are short of stock whereas they get together in groups and buy together in pallets. So we are very short of stock.
	11:23	Yeah they do. That's why their businesses are running so well because they do communicate and stock in bulk. They do help each other. They not like us
Foreign_Fake/Poor quality goods	2:18	Cant say the price because most of their things are fong kong, they are not original.
	3:5	INTERVIEWER: The fong kong means fake? Who sells these fong kong? PARTICIPANT: The Somalian guys...you see this...this is from Somalians this thing *shows imported chocolate bars*.
	3:11	Their shops look nice and full. However, customers wonder why we sell the same things at different prices, I would sell baked beans tin at R11 and they would sell it at R9
	3:12	Yes... like the bread type is cheaper than mine. But might be another brand, not Albany or Sasko.
	4:15	No its not same products, mine is real they sell fake products.
Foreign_More space	6:8	foreign-owned have bigger spaces.
Foreign_No credit offered	11:3	Usually, the ones that always come to the shop are the ones that, what can I say? We just have this relationship with them so as much as you find that they don't have money probably after 2 or 3 weeks after they got paid. Then they are able to come and take bread and whatever and we write it down. Then at the end of the month, they come and they pay. So with the Somalians they don't do that.
	11:4	No, the Somalians they don't, even if you are short with R2 or what, its not their problem. So those regular customers it's the ones that know even when they are short of R1 they know that they will get bread yeah.

	13:6	It's the way I treat them. For example, when somebody ask me for a drink and says they will pay me back I am able to allow buy on credit. And secondly, if you are short by 10 cents the Somalians won't let you buy. I think they are scared of people running away.
Foreign_Own suppliers	4:27	They've got their own shops that they go to. Even the airtime – they run it themselves. I wouldn't go to them and ask how they do it. I guess I have pride.
	13:3	Eish. I don't know if they buy from a cheaper place or what.
Foreign_Stock availability	2:19	They have a lot of stock as well because they buy in bulk.
	14:10	Different uhmmm.....their shops have more stock than mine. Not different products but more.
	14:11	That's even a question I ask myself, because its not a matter of they start small then they grow like I did. Seems like they open today and after two weeks time, you find their shop has all the stock. Me it was different, I started from the street then from the street I work.
Foreign_They cooperate	1:17	So im interested as to. As foreigners do that. The foreign spaza shops. They do this kind of thing. They work together.
	1:22	When they working here in our country. They come with mission to save. To make money. That is why they are always
	1:23	It's the business owned by the outside. That is why they are always moving like this. Because their mission are equal.
	2:20	INTERVIEWER: Who do they buy in bulk with? PARTICIPANT: I do not know, maybe their bosses or what...I don't know.
	4:27	They've got their own shops that they go to. Even the airtime – they run it themselves. I wouldn't go to them and ask how they do it. I guess I have pride.

	10:8	Where foreigners come from. They are able to be sent money from their families and this aids them in buying stock in bundles. We are short of stock whereas they get together in groups and buy together in pallets. So we are very short of stock.
	11:20	Because we are not like those foreign Somalians. At least they can work together and push each other. They are not like us. That's why their businesses are doing very well.
	11:23	Yeah they do. That's why their businesses are running so well because they do communicate and stock in bulk. They do help each other. They not like us
Foreign_Unclean shops	11:12	And some of them complain that those guys sleep in that shop so I cant buy bread from that shop. And the toilet is also inside the shop. So yeah they complain with that.
	11:13	Yeah, they feel like its not clean and healthy.

## APPENDIX SEVEN: QUOTATIONS FROM INTERVIEWS (RESEARCH SQ 4 & 5)

### Uses and Existence of Network

Codes	Ref	Quotation
Network_Labour_Family only	2:31	No It is only me and my husband.
	5:6	Family
	5:7	In business you can't trust an outsider a lot but rather family who hurt you and who you can reprimand.
	7:7	No, it's only me and my father.
	8:11	Family
	8:12	Especially my younger sister. My daughter.
	10:17	Yes. I do leave my son to go buy stock when he is back from school.
	11:14	Yeah. Its just us a family. Me, my mom, my dad and my little sister.
	11:28	You can say its jealousy and lack of trust because mina my dad with his brother. There is his brother down the road. We have a shop, a bottle store so they do help each other because they are family.
	11:29	So they do help each other. If he doesn't have money for stock he just goes to his brother and say just give me R1000 or R500 I will give it back. They just work like that
11:30	Probably it would have been different I don't know because they run the same business but they don't have jealousy. If he finds something cheap he tells his brother you must go and buy it with a cheaper price. Its 18 number 12. Its not that far. If we don't have it here then I know my uncle has it. Like with lots of medicines like Panado, Cisto-soda, Woods Peppermint, Pregnancy Test, The Somalians don't have. We	



		do sell. So if we don't have it here I know that my uncle has it. With the Somalians you cant find such, we do sell them.
	12:10	I just use my children.
	13:12	When I'm out I normally son stays here or my brother if he's here.
	14:13	Yes sometimes because it becomes difficult for me remaining in the shop, while I've got somethings that are short, since I said I had that problem of financial, so when I've got some emergency to go stock, I then use someone instead of closing. But sometimes if I don't have then I close.
	14:14	It's just family. Sometimes its my daughter. Not friends.
Network_Labour_Friends & family	1:11	From where I stay now, here. There is some families here. So, when I want to go shopping. I ask him or her or one of my family otherwise to put him here and I go. And other people, it's the people who have maybe lost the jobs.
	3:14	Yes I do use friends, I once used Lucas to go buy stock but he only came back with airtime saying the rest of the money got lost.
Network_Labour_Negative experience	3:3	Another problem is that I work alone, I do not have any assistance from anyone because they steal.
	3:14	Yes I do use friends, I once used Lucas to go buy stock but he only came back with airtime saying the rest of the money got lost.
	4:18	My sister's child helped me but then had to go to Limpopo. When I came back to the shop there was a shortage of money and stock. Then I got a Zimbabwean lady to help me but it was the same.
	6:9	No, trust is low, people will steal and the shop will collapse. A family member once stole from her.
	6:13	She's had experience of people stealing from her and keeping money so she can't trust people.
	11:15	We have, we have tried using people. It was some guy from Maputo, well he used to work very well and remember by that time there was no competition it was just us. So we used to have a lot of customers and

		the I would also help him. So as time goes by, he started stealing money and all that and we were not making a profit anymore so my dad decided... he didn't even fire him. He just left without saying anything.
Network_Labour_Open to hiring	4:19	I am still looking for someone to help me because I want to but fruit and vegetables
	12:12	I used to use someone else but they left and at the moment I want to hire someone because I don't have much time to do other things like research.
	12:13	No I don't. I can hire any person.
Network_Labour_Used to	3:14	Yes I do use friends, I once used Lucas to go buy stock but he only came back with airtime saying the rest of the money got lost.
	4:17	Yes I used to before.
	6:9	No, trust is low, people will steal and the shop will collapse. A family member once stole from her.
	11:15	We have, we have tried using people. It was some guy from Maputo, well he used to work very well and remember by that time there was no competition it was just us. So we used to have a lot of customers and the I would also help him. So as time goes by, he started stealing money and all that and we were not making a profit anymore so my dad decided... he didn't even fire him. He just left without saying anything.
	12:12	I used to use someone else but they left and at the moment I want to hire someone because I don't have much time to do other things like research.
Network_No trust	3:3	Another problem is that I work alone, I do not have any assistance from anyone because they steal.
	3:15	No I don't trust anyone now
	5:7	In business you can't trust an outsider a lot but rather family who hurt you and who you can reprimand.
	6:9	No, trust is low, people will steal and the shop will collapse. A family member once stole from her.
	8:13	Ai - when it comes to money you can never trust anyone.

	8:19	You cant trust a person. Like now, we are selling, we have people we are used to who we can sit with us here while we are selling but you can see that they will sometime take money in front of you and not put it in the tin where we put money. That shows you that you cant trust a human being. How can I leave such a person for the whole weekend if these are the things they do in your presence? And also understand that people don't understand business. When they see that the money for the day is R300, they will take maybe R100 forgetting that money would be for stock. So I end up not being able to buy stock. This is why I cannot trust a person. When they selling and they feel its a lot they think let me just take R5 it's a little.
	13:13	I can trust only if I can sit down with someone and understand their mindset and their life but I couldn't trust a random person who I don't know.
	13:17	Eish. You know what makes people not trust each other? It's crime in fact. It could happen that you could send me to the shops and I see there is a lot of change, then I will take some of that change because it will be too much.
	13:18	Eh! For people not to trust each other there is a lot of crime. I could say someone is my friend and when things don't go right, they'll turn on me and become a criminal. If I had given them money and the change doesn't add up.....then you'll know that's crime.
	14:15	No.....it's difficult to go to the.....In business if you give somebody.....never mind, if you can even. I can say there is somebody trustable but you'll never know. You'll never know therefore what's happening when you not there. Actually, I don't use somebody like friends or somebody else.
	14:20	Exactly. In a business you need trust. You asked before why I don't leave somebody here, its because you need to trust some body.
Network_Spaza Owner	1:10	And now im under discussion with them. Saying please do me a favour. You must just cut the prices. I used to buy my stock of R2000, they must just discount me. Then we have agreed. And transport also.

	They say if I come and but coldrinks here, don't think about the 80's they had a bakkie there and we would do an exchange.
1:12	Let me be honest. Yes... mostly cold drinks. And that shop is just because before it was owned my Africans.
2:11	The owner of the shop where pakistans sell now died. Me and that owner were close, he'd buy from here and I'd buy from him as well. We were connected too much.
2:12	Yhoo we worked very nice, it was sad when he died.
2:13	Yes like I don't sell bread but he does, so I would buy from him. He would get people to buy cold drink form me as mine is cold. He had a big shop but he would still support me and I liked to support him too.
3:13	We help each other when we are short of something but when it comes to co-operation...no
3:23	Yes I would, I used to go buy stock for her when she runs short
4:16	Ya ya I know them. We are friends. They just greet only.
4:26	I'm talking about that th shop there on John Brandt. If I need womething I can go and buy there but they are not coming to buy to me.
6:10	No. borrowed some crates before but no worked together.
10:9	Yes, when we were part of the Grandpa group we had the idea. But money shortage has resulted us in not being able to do so.
11:28	You can say its jealousy and lack of trust because mina my dad with his brother. There is his brother down the road. We have a shop, a bottle store so they do help each other because they are family.
11:29	So they do help each other. If he doesn't have money for stock he just goes to his brother and say just give me R1000 or R500 I will give it back. They just work like that

11:30	Probably it would have been different I don't know because they run the same business but they don't have jealousy. If he finds something cheap he tells his brother you must go and buy it with a cheaper price. Its 18 number 12. Its not that far. If we don't have it here then I know my uncle has it. Like with lots of medicines like Panado, Cisto-soda, Woods Peppermint, Pregnancy Test, The Somalians don't have. We do sell. So if we don't have it here I know that my uncle has it. With the Somalians you cant find such, we do sell them.
12:16	Yes, I borrow a crate if I have lots of stock but I don't have crate.

### Cooperation Activities, Experiences and Views

Codes	Ref	Quotation
Cooperation_Activities	1:10	And now im under discussion with them. Saying please do me a favour. You must just cut the prices. I used to buy my stock of R2000, they must just discount me. Then we have agreed. And transport also. They say if I come and but coldrinks here, don't think about the 80's they had a bakkie there and we would do an exchange.
	2:11	The owner of the shop where pakistans sell now died. Me and that owner were close, he'd buy from here and I'd buy from him as well. We were connected too much.
	2:12	Yhoo we worked very nice, it was sad when he died.
	2:13	Yes like I don't sell bread but he does, so I would buy from him. He would get people to buy cold drink form me as mine is cold. He had a big shop but he would still support me and I liked to support him too.
	3:22	There is another business owner who gives us advise about 30% discount buying where he buys from at a cheaper price.

	3:23	Yes I would, I used to go buy stock for her when she runs short
	10:9	Yes, when we were part of the Grandpa group we had the idea. But money shortage has resulted us in not being able to do so.
	11:18	we and the other ladies decided to start a stokvel. So it rotates and we give each other R120 everyday. So today it goes to someone tomorrow its me and then the other day... So yeah its 7 of us. Monday, Tuesday, Wednesday, Thursday until Sunday.
	11:29	So they do help each other. If he doesn't have money for stock he just goes to his brother and say just give me R1000 or R500 I will give it back. They just work like that
	11:30	Probably it would have been different I don't know because they run the same business but they don't have jealousy. If he finds something cheap he tells his brother you must go and buy it with a cheaper price. Its 18 number 12. Its not that far. If we don't have it here then I know my uncle has it. Like with lots of medicines like Panado, Cisto-soda, Woods Peppermint, Pregnancy Test, The Somalians don't have. We do sell. So if we don't have it here I know that my uncle has it. With the Somalians you cant find such, we do sell them.
	12:23	We started a group paying R100 each and every day. When we started we were 7 but one left and the other one left, and now we are 5. You can start things but at the end someone just disappoints you.
	12:24	Its still running, we contribute R100 each and every day....one gets R500 at the end of the week to buy stock.
	13:15	The idea of buying bread from somebody else or airtime.....I do go buy and they also come and buy from me when they don't have.
Cooperation_Does not need/want	1:13	You know my brother. As I said I'm here by calling. I'm a different person, I'm a different, different owners. I mean owner. I believe in my knowledge. My knowledge is so full my brother regarding to the business.

	1:14	I don't need any. I don't need any, yes. Surely.
	1:16	I believe in my mind my brother. My knowledge man.
	5:8	I would rather close
	5:9	Where there is money there is jealousy and killing. So rather fail alone.
	6:12	No – there is no trust so she would rather work alone. When money is involved “people change colours’
	7:8	Since 2002 this shop was running by my father. So it will be difficult for someone to run it.
	7:12	I've never worked with other people from the beginning
Cooperation_Has done	2:11	The owner of the shop where pakistans sell now died. Me and that owner were close, he'd buy from here and I'd buy from him as well. We were connected too much.
	3:22	There is another business owner who gives us advise about 30% discount buying where he buys from at a cheaper price.
	10:9	Yes, when we were part of the Grandpa group we had the idea. But money shortage has resulted us in not being able to do so.
	11:18	we and the other ladies decided to start a stokvel. So it rotates and we give each other R120 everyday. So today it goes to someone tomorrow its me and then the other day... So yeah its 7 of us. Monday, Tuesday, Wednesday, Thursday until Sunday.
	12:23	We started a group paying R100 each and every day. When we started we were 7 but one left and the other one left, and now we are 5. You can start things but at the end someone just disappoints you.
	12:24	Its still running, we contribute R100 each and every day....one gets R500 at the end of the week to buy stock.
	1:14	I don't need any. I don't need any, yes. Surely.

Cooperation_Has not done	3:13	We help each other when we are short of something but when it comes to co-operation...no
	3:19	Uhm no
	4:21	No...
	5:8	I would rather close
	6:10	No. borrowed some crates before but no worked together.
	7:12	I've never worked with other people from the beginning
	8:14	No
	9:6	No
	11:16	hai, here? We don't do that. We like, eish, we never do that.
	12:14	No actually we don't do that.
	12:15	Hai, I don't know, ever since I started I've never asked someone for lucky star. If I don't have I don't have, customers will have to go to other side.
	12:17	But when it comes to stock...no.
	14:12	No...No I've never done that.
	Cooperation_Jealousy	5:9
6:14		No, very few people have it. People don't care about anyone else. Jealousy is huge – they don't want to see people succeed.
11:28		You can say its jealously and lack of trust because mina my dad with his brother. There is his brother down the road. We have a shop, a bottle store so they do help each other because they are family.
Cooperation_Lack of communication	9:8	Yes, we don't trust each other in business and we also don't meet
	10:15	We don't have the communication skills that the foreigners have.



	11:22	With us its different. We hardly ever talk about businesses.
	11:24	With us its different, we don't talk. Never check on each other. Its just someone who wants to make a profit for him or herself.
	11:26	I think if we could just sit down and talk about it then it is possible. We can work together and help each other like the Somalians because the ladies that I was attending the Grandpa with. We were communicating very well its just that when we don't see each other we are like distanced, you know. We just get lazy and don't talk about such things anymore. Because some of them they are like us, they don't hire anyone so they don't have the time. But if we just get the chance to sit down and talk about it then maybe it will work because when we talk we do understand each other. And a lot of things we do agree on them. So its just that we never meet. If we could find of where we could meet and talk about such issues then probably once a week, then it will work
	14:18	Uhm yes, if I have people like that, I can even join those people. But I've never had someone come to me or me going to someone to say let's work together.
Cooperation_Leads to killing	5:9	Where there is money there is jealousy and killing. So rather fail alone.
Cooperation_Learning from foreingers	2:7	Yes I go buy then I sell at a price which is less by 50 cents so that I can sell everyday which would make a lot of money.
	3:22	There is another business owner who gives us advise about 30% discount buying where he buys from at a cheaper price.
	10:16	You see, if we brought in bundles we would be getting more out of it. It is better to buy in bundles instead of one on one. Bundles are lower priced as you taught us. We would like to pursue that and be one like the foreigners.

	11:26	I think if we could just sit down and talk about it then it is possible. We can work together and help each other like the Somalians because the ladies that I was attending the Grandpa with. We were communicating very well its just that when we don't see each other we are like distanced, you know. We just get lazy and don't talk about such things anymore. Because some of them they are like us, they don't hire anyone so they don't have the time. But if we just get the chance to sit down and talk about it then maybe it will work because when we talk we do understand each other. And a lot of things we do agree on them. So its just that we never meet. If we could find of where we could meet and talk about such issues then probably once a week, then it will work
Cooperation_No unity	1:20	You know my brother it is very difficult for Africans to unite and run the business. We cant be united. It's a very difficult things
	1:21	The problem of ours is this. We are not in one plan. You die as a father. Your children take over. The will never have the same plan.
Cooperation_Not with foriegners	2:14	No not at all, they do not buy here. But sometimes I go buy milk from them if it finishes here.
	10:14	Yes, it is difficult to work with foreigners. When I look at it, it's as if they want us South Africans to fail in our business through their actions. Things are already expensive yet they still bring prices lower than ours. They come and find things to be R10 and they make them R8 you see. As a result, we have to also bring ours down or our customers will all leave us and buy from them. That R2 we had to take down was our profit. So it seems as if we are no longer getting a profit.
Cooperation_Open to idea	3:16	Uhhh *nods head*
	3:21	I would love to work with them, I don't have a problem
	4:20	I don't have a problem with anyone
	9:5	There isn't a problem.

	14:18	Uhm yes, if I have people like that, I can even join those people. But I've never had someone come to me or me going to someone to say let's work together.
Cooperation_Pride	4:27	They've got their own shops that they go to. Even the airtime – they run it themselves. I wouldn't go to them and ask how they do it. I guess I have pride.
Cooperation_SA do not	1:18	So im interested as to. As foreigners do that. The foreign spaza shops. They do this kind of thing. They work together. Whereas South Africans I don't think they do.
	1:19	Each and every person can answer that question. Its so simple. Its easy things. We are not in a 1 plan.
	3:13	We help each other when we are short of something but when it comes to co-operation...no
	11:21	So obviously everyone wants to make a profit for their own shop. If you go to someone else's shop and ask for stock at a lower price they wont give you. They wont.
	11:25	I don't know. Maybe they just have this thing of if I help someone then I'm going to lose and they will benefit. Maybe its what they think. I don't know if that's what they think. Probably. She wants to make a profit for her own self.
Cooperation_Trust_Building	2:29	But now since we started this group we know each other, I go to their place. We are trusting each other. We are friends and family's now.
	11:26	I think if we could just sit down and talk about it then it is possible. We can work together and help each other like the Somalians because the ladies that I was attending the Grandpa with. We were communicating very well its just that when we don't see each other we are like distanced, you know. We just get lazy and don't talk about such things anymore. Because some of them they are like us, they don't hire anyone so they don't have the time. But if we just get the chance to sit down and talk about it then maybe it will work because when we talk we do understand each other. And a lot of things we do agree on

		them. So its just that we never meet. If we could find of where we could meet and talk about such issues then probably once a week, then it will work
	14:19	Yes...yes trust is important.
	14:20	Exactly. In a business you need trust. You asked before why I don't leave somebody here, its because you need to trust some body.
Cooperation_Trust_ Negative	6:12	No – there is no trust so she would rather work alone. When money is involved “people change colours’
	6:13	She's had experience of people stealing from her and keeping money so she can't trust people.
	8:19	You cant trust a person. Like now, we are selling, we have people we are used to who we can sit with us here while we are selling but you can see that they will sometime take money in front of you and not put it in the tin where we put money. That shows you that you cant trust a human being. How can I leave such a person for the whole weekend if these are the things they do in your presence? And also understand that people don't understand business. When they see that the money for the day is R300, they will take maybe R100 forgetting that money would be for stock. So I end up not being able to buy stock. This is why I cannot trust a person. When they selling and they feel its a lot they think let me just take R5 it's a little.
	9:8	Yes, we don't trust each other in business and we also don't meet
	11:28	You can say its jealousy and lack of trust because mina my dad with his brother. There is his brother down the road. We have a shop, a bottle store so they do help each other because they are family.
	12:26	No they don't. Even myself, ok I try but I can't say I trust someone. Its not easy to trust someone.
	13:17	Eish. You know what makes people not trust each other? It's crime in fact. It could happen that you could send me to the shops and I see there is a lot of change, then I will take some of that change because it will be too much.
	2:16	Too much, even if pakistans do not have vaseline, I go to section 17 they are South Africans.

Cooperation_Yes with SA	3:23	Yes I would, I used to go buy stock for her when she runs short
	8:18	Yes a South African owner I could work with.

## Bulk Buying Activities and Views

Codes	Ref	Quotation
Bulk buying_Does not do	1:15	I didn't have that idea, maybe as time goes on.
	2:21	No we didn't start yet.
	2:27	No were not in the mind of doing that.
	3:20	Yes, I have thought of that, but I stopped because I've got other shops in section 8 and 10
	4:23	No
	5:10	No, I have never heard anyone say that we are bundling
	6:11	She would be open to the idea but does not have enough space to store large amounts of stock.
	7:9	No I didn't do it before.
	11:19	And then, I heard ladies talking about this buying in bulk thing. But then we never got deep into it because we are not doing it. Everyone is now quiet about it. No one is saying anything.
	12:17	But when it comes to stock...no.
	12:19	Right here we don't do
	12:21	Hai, I don't know, because each and everyone just go to whatever you go to buy the stock.
	13:14	The whole idea of putting money together to buy stock, we've never done that.
13:16	Eish. That thing. I wouldn't be able to do that because a person – you can never be able to trust them. I would as a man with a car, be able to help someone if they have stock and they are walking on the road.	

		But not that we would put money in one pool and send one person. Because what if there is change? The person wouldn't bring it back.
	14:16	Uhm ya I never use that but it should be a good idea. But then, it depends how much you got at that time. It might happen that you don't have much and now ok, we are in a group. I find out I only have a little money to buy a certain stock. And now it will becoming a problem. If you can have the same amount.
	14:17	Its a good idea but then, as I'm saying, I don't know how its gonna work. I sometimes don't have much. Maybe you pay less, you buy less. Its a good idea though because what I experience in this shop is you need to stock every day....
Bulk buying_Money a problem	2:22	Money. Because I only started now to bank, I used to sell hand to mouth.
	10:9	Yes, when we were part of the Grandpa group we had the idea. But money shortage has resulted us in not being able to do so.
	10:10	We had started but on the way you have people who cry due to financial issues and drop out. So we are currently trying to find a way we can pursue this but we are failing as we don't have enough money.
	10:12	What is making them complain is that we don't have enough money. If we could just be given then the money to first buy stock in bulk. Or even if the stock was to be brought for us in bulk so that we can move forward.
	10:13	Things are expensive and the foreigners make their prices low and causes ours to be low and we end up with a small profit. The profit doesn't allow for us to put food to the table. The children are also reliant on the money. This makes it difficult to put aside money for this group.
	14:16	Uhm ya I never use that but it should be a good idea. But then, it depends how much you got at that time. It might happen that you don't have much and now ok, we are in a group. I find out I only have a little money to buy a certain stock. And now it will becoming a problem. If you can have the same amount.

	14:17	Its a good idea but then, as I'm saying, I don't know how its gonna work. I sometimes don't have much. Maybe you pay less, you buy less. Its a good idea though because what I experience in this shop is you need to stock every day....
Bulk buying_Needs organisation	3:18	problem would be transport...another thing is my shop is small, so if we buy in bulk we where would I put the stock?
	7:13	It depends how its structured. For example, if he says I get free transport then I will do it but if he says I have it pay then I wont do it.
	11:27	I think it will need someone to organise that. Coz if there is someone then they feel like eish we need to attend cos if its just us then they will be like ah... I will go next week its fine. And if there is someone they feel like they need to go.
Bulk buying_New idea	1:15	I didn't have that idea, maybe as time goes on.
	2:24	Yes it's a new thing. It was not easy for black person can just go and buy in bulk. It was always a delivery from bakers, sugar deliveries and milk.
	5:10	No, I have never heard anyone say that we are bundling
	6:11	She would be open to the idea but does not have enough space to store large amounts of stock.
	7:13	It depends how its structured. For example, if he says I get free transport then I will do it but if he says I have it pay then I wont do it.
	8:15	No
	13:14	The whole idea of putting money together to buy stock, we've never done that.
13:16	Eish. That thing. I wouldn't be able to do that because a person – you can never be able to trust them. I would as a man with a car, be able to help someone if they have stock and they are walking on the road.	

		But not that we would put money in one pool and send one person. Because what if there is change? The person wouldn't bring it back.
	14:16	Uhm ya I never use that but it should be a good idea. But then, it depends how much you got at that time. It might happen that you don't have much and now ok, we are in a group. I find out I only have a little money to buy a certain stock. And now it will becoming a problem. If you can have the same amount.
	14:17	Its a good idea but then, as I'm saying, I don't know how its gonna work. I sometimes don't have much. Maybe you pay less, you buy less. Its a good idea though because what I experience in this shop is you need to stock every day....
Bulk buying_No Communication	4:24	I don't know about them. It's never even crossed my mind if they will agree or disagree. Or them saying to me "this is how we work, would you like to join us?" There hasn't been any of that communication
	4:25	There hasn't been anyone coming to say they can do something like that. No communication has taken place.
	5:11	She has never thought of it and even approaching it because naturally when you are competitors you will have those grudges where you cannot even talk to each other.
	8:17	Like I say. A Somalian, Zimbabwean....[we don't get along and you will never have a conversation with them.]
	11:19	And then, I heard ladies talking about this buying in bulk thing. But then we never got deep into it because we are not doing it. Everyone is now quiet about it. No one is saying anything.
Bulk buying_No honesty	2:28	It is working together, some are not honest.
	13:16	Eish. That thing. I wouldn't be able to do that because a person – you can never be able to trust them. I would as a man with a car, be able to help someone if they have stock and they are walking on the road.



		But not that we would put money in one pool and send one person. Because what if there is change? The person wouldn't bring it back.
Bulk buying_No space for stock	3:18	problem would be transport...another thing is my shop is small, so if we buy in bulk we where would I put the stock?
	6:11	She would be open to the idea but does not have enough space to store large amounts of stock.
Bulk buying_No Trust	2:32	INTERVIEWER: So it was a trust thing, you didn't trust people before? PARTICIPANT: Yah yah.
	5:11	She has never thought of it and even approaching it because naturally when you are competitors you will have those grudges where you cannot even talk to each other.
	8:17	Like I say. A Somalian, Zimbabwean....[we don't get along and you will never have a conversation with them.]
	13:16	Eish. That thing. I wouldn't be able to do that because a person – you can never be able to trust them. I would as a man with a car, be able to help someone if they have stock and they are walking on the road. But not that we would put money in one pool and send one person. Because what if there is change? The person wouldn't bring it back.
Bulk buying_Starting	2:37	I think we need to first put money in the bank, so that when we reach say 20 000 or 30 000 in bank, then we will go with three lady's there to buy, come back with slips and share with the other business partners.
	10:9	Yes, when we were part of the Grandpa group we had the idea. But money shortage has resulted us in not being able to do so.
	10:10	We had started but on the way you have people who cry due to financial issues and drop out. So we are currently trying to find a way we can pursue this but we are failing as we don't have enough money.

	10:16	You see, if we brought in bundles we would be getting more out of it. It is better to buy in bundles instead of one on one. Bundles are lower priced as you taught us. We would like to pursue that and be one like the foreigners.
Bulk buying_Too busy	3:20	Yes, I have thought of that, but I stopped because I've got other shops in section 8 and 10
Bulk buying_Used to get deliveries	2:24	Yes it's a new thing. It was not easy for black person can just go and buy in bulk. It was always a delivery from bakers, sugar deliveries and milk.
	2:25	Yes not anymore and I don't know why.
	2:26	INTERVIEWER: So you are saying it was difficult get bulk buying as a black person? Because you used to get deliveries? PARTICIPANT: Yes.
	8:10	And in the township the big truck no longer comes in.
Bulk buying_Will not do	5:10	No, I have never heard anyone say that we are bundling
	5:11	She has never thought of it and even approaching it because naturally when you are competitors you will have those grudges where you cannot even talk to each other.
	7:10	No
	7:11	Eish I don't know because I didn't run the shop for other people.
	8:16	No
	13:16	Eish. That thing. I wouldn't be able to do that because a person – you can never be able to trust them. I would as a man with a car, be able to help someone if they have stock and they are walking on the road. But not that we would put money in one pool and send one person. Because what if there is change? The person wouldn't bring it back.
	7:11	Eish I don't know because I didn't run the shop for other people.

Bulk buying_Won't work with others	7:12	I've never worked with other people from the beginning
	8:17	Like I say. A Somalian, Zimbabwean....[we don't get along and you will never have a conversation with them.]
	9:7	We don't know how to work with each other
Bulk buying_Would do	1:15	I didn't have that idea, maybe as time goes on.
	1:17	So im interested as to. As foreigners do that. The foreign spaza shops. They do this kind of thing. They work together.
	2:23	Yes we were talking last about that, we going to start this month to see how much each must pay.
	2:37	I think we need to first put money in the bank, so that when we reach say 20 000 or 30 000 in bank, then we will go with three lady's there to buy, come back with slips and share with the other business partners.
	3:17	If we work together with these people, I'd love to gather money with them so we can buy in bulk
	4:22	Yes, its easy like that and its nice. Because you can write your stock, give them money to buy, and give them transport money. They then buy for you.
	6:11	She would be open to the idea but does not have enough space to store large amounts of stock.
	7:13	It depends how its structured. For example, if he says I get free transport then I will do it but if he says I have it pay then I wont do it.
	12:20	Actually, I spoke to Rorisang [Coach] about that bulk thing. Because I have three shops there at Pan - I always sometimes go there and buy bulk. I know when you buy bulk it's a less price.
12:22	But I wish, if I can meet those people who would like to, I would join them. I don't have a problem with that.	

14:16	Uhm ya I never use that but it should be a good idea. But then, it depends how much you got at that time. It might happen that you don't have much and now ok, we are in a group. I find out I only have a little money to buy a certain stock. And now it will becoming a problem. If you can have the same amount.
14:17	Its a good idea but then, as I'm saying, I don't know how its gonna work. I sometimes don't have much. Maybe you pay less, you buy less. Its a good idea though because what I experience in this shop is you need to stock every day....

## Ubuntu

Codes	Ref	Quotation
Ubuntu_Does not exist	3:24	Its no longer there. Everyone is doing their own thing.
	5:12	It's no longer existing. It's gone a long time ago.
	6:14	No, very few people have it. People don't care about anyone else. Jealousy is huge – they don't want to see people succeed.
	8:20	No there no longer is. Because if there was ubuntu I would be able to leave someone to stay and sell for me but because you can't trust someone who can take from me and someone sees them and not say anything. We don't look out for each other as a community. So how I see it it's as if it is no longer there. When you close late you need to make sure that you are safe or you will come back tomorrow and find everything gone.
	9:9	It is no longer there.
	9:10	e no longer love each other. A person has become selfish and only thinks of themselves.
Ubuntu_Exists	1:24	Brother man, For you to be here. Its ubuntu. *laughs* For you to be here its Ubuntu. Isn't so?

	7:14	Yeah, because I'm living by the people. Ke phela ka batho [I live because of the people].
	10:18	Even when I come across to someone who asks for money because they are short for taxi I give them because I see they need it. Even to those who come and say to me that they are hungry and ask for chips. If I do have I give them because tomorrow I don't want to hear that they died of hunger and feel guilty and stressed for not giving them food.
	10:19	Yeah, if I ask for help from someone, others help me.
	13:19	People are...I could even say me....when my neighbor has a problem or there is a death in their family we take out money and help each other and I know they will help me.
Ubuntu_Not with foriegners	4:28	Uhhh I don't think its still there. One woman told me that these people [Somalians] if they were to see someone falling on the street they would just look and say shame. While if my black neighbor would even run to my family and tell them what just took place.
Ubuntu_Only limited amounts	4:28	Uhhh I don't think its still there. One woman told me that these people [Somalians] if they were to see someone falling on the street they would just look and say shame. While if my black neighbor would even run to my family and tell them what just took place.
	11:31	It does exist but they just say 20% do and they rest, no. The rest we don't because obviously we not helping each other. We not looking out for each other.
	11:33	Now we just not looking out for each other. Like with some of our customers sometimes they buy here and other days they go to the Somalians. But when they are short with R1 or R2 then they want to come and buy here. And I must feel pity and say oh she doesn't have R1 let me just give her bread but when she does have the R1 she doesn't come to me. She goes to the other shop. So I must have ubuntu but they don't which is no fair. So unfair.
	12:25	Some...!ll just say some people. You can't know what's inside someone's heart.

	14:21	Uhm yes.. I'm always introducing the Ubuntu to the people. But sometimes some other customers come with something else in mind. Me as a person who sells I don't like noise. Others come with a certain intention or another thinking. For example people come and want to buy cigarette for R1 when they know it's R2,50 then they say they will give during the weekend and they don't.
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## Grandpa Spaza Academy

Codes	Ref	Quotation
Grandpa Academy	2:30	INTERVIEWER: Okay...and the group, is it from the Grandpa Spaza Academy? They helped get the people together? And now you all work together? PARTICIPANT: Yes...yes.
	10:9	Yes, when we were part of the Grandpa group we had the idea. But money shortage has resulted us in not being able to do so.
	11:17	What we do now since we have been attending this Grandpa course, we and the other ladies decided to start a stokvel.
	11:26	I think if we could just sit down and talk about it then it is possible. We can work together and help each other like the Somalians because the ladies that I was attending the Grandpa with. We were communicating very well its just that when we don't see each other we are like distanced, you know. We just get lazy and don't talk about such things anymore. Because some of them they are like us, they don't hire anyone so they don't have the time. But if we just get the chance to sit down and talk about it then maybe it will work because when we talk we do understand each other. And a lot of things we do agree on them. So its just that we never meet. If we could find of where we could meet and talk about such issues then probably once a week, then it will work

12:18

Actually, I spoke to Rorisang [Coach] about that bulk thing.

# Gordon Institute of Business Science

University  
of Pretoria

27 July 2017

Charles Hare

Dear Charles,

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

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

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

*Kind Regards*

GIBS MBA Research Ethical Clearance Committee