Wholesale&Retail LEADERSHIP CHAIR

Cape Peninsula University of Technology

W&RSETA WHOLESALE AND RETAIL SETA

Skills Development for Economic Growth

"Collaboration opens the window to a world of opportunities."

Transforming the Township Retail Market in South Africa: A Sustainable Growth and Development Model for Spaza Shops.

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APPLIED RESEARCH

LEADERSHIP DEVELOPMENT

SERVICE TO RETAIL COMMUNITY

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LIST OF ABBREVIATIONS

apps	**Applications**
FGD	**Focus Group Discussion**
NDP	**National Development Plan**
NGO	**Non-Governmental Organisation**
RBV	**Resource-based View**
SPSS	**Statistical Package for the Social Sciences**

EXECUTIVE SUMMARY

The township economy in South Africa has garnered significant attention in recent years due to its potential to drive inclusive economic growth and reduce inequality. With over 40% of South Africa's population residing in townships, fostering economic development through both formal and informal business development is essential for job creation and poverty alleviation. Achieving this requires a comprehensive analysis of retail networks within South African townships. Despite access to large markets, most businesses in these areas struggle to grow into established, formal enterprises. This study, therefore, aims to develop a growth and development framework to guide and support spaza shops in becoming large, sustainable, and profitable businesses within the township economy. This framework must be rooted in a clear understanding of the challenges and opportunities impacting spaza shops in these communities, including competition, available support, and other relevant factors.

The adoption of a quantitative research approach in the quest to develop a growth and development model for spaza shops operating in South African townships signified a deliberate commitment to systematic data collection, rigorous analysis, and numerical measurement. Central to this approach was the utilisation of structured surveys, archival data retrieval, and statistical databases relevant to the study's objectives. This entailed the development of comprehensive survey instruments tailored to capture quantitative data on various dimensions of spaza shop operations, including sales volumes, profit margins, inventory turnover rates, market demographics, and expenditure patterns. The surveys were designed to gather information on various aspects of spaza shop operations, including sales trends, inventory management practices, customer demographics, and challenges faced.

The sampling strategy employed in this study utilised purposive sampling across five provinces in South Africa. By selecting spaza shop owners and managers who are actively involved in the daily operations and decision-making processes of their businesses, the study ensured that the data offered comprehensive insights into the factors influencing growth and development within the sector.

Spaza shop owners were invited to complete a questionnaire to provide empirical data for this survey. Of the 500 targeted spaza shops, 196 respondents comprised the final sample.

The questionnaire was completed via telephone with the aid of research assistants. The data were analysed using the Statistical Package for Social Sciences (SPSS) version 26.0 to test the significance of the results and present the findings in tables and figures.

Key findings

The purpose of this research is to identify and analyse the role and current state of spaza shops within the township retail economy, bearing in mind the increased presence of national retailers in this market as well as the sustainability and development of spaza shops in the townships.

The profile of the 196 spaza shop owners who responded to the survey is outlined as follows:

- *Respondents' provincial distribution includes 34.7% in the Western Cape (across 3 townships), 33.2% in the Free State (6 townships), 16.8% in Gauteng (13 townships), 11.7% in Limpopo (5 townships), and 3.6% in the Eastern Cape (1 township).*

- *Gender distribution reveals that 27% of respondents were female, while 73% were male.*

- *Among the male respondents, 24.5% were based in the Western Cape, 2% in the Eastern Cape, 21.4% in the Free State, 16.3% in Gauteng, and 8.7% in Limpopo.*

- *Female respondents included 10.2% based in the Western Cape, 1.5% in the Eastern Cape, 11.7% in the Free State, 0.5% in Gauteng, and 3.1% in Limpopo.*

- *Age distribution shows that 42.9% of respondents were aged 35 years or younger, while 57.1% were over 35 years (including 17.3% aged above 50).*

In addition, the business information of the spaza shops indicates that:

- *Staffing levels show that 58.2% of respondents have two employees, 23% have three employees, and 18.4% operate with only one employee.*

- *In terms of business ownership duration, 64.8% of respondents have owned a spaza shop for over six years, 32.1% for three to five years, and 3.1% for less than three* *years.*

- *A majority of respondents (55.6%) started their spaza shops due to unemployment, while 35.7% launched their businesses after identifying a market need.*
- *Most spaza shops (96.9%) source their stock from wholesalers, with 33.8% purchasing from Boxer and 13.3% from Shoprite.*
- *Profit trends over the past three years indicate that 67.7% of the businesses experienced a decline in profits, 24.6% saw no change, and 7.7% achieved profit growth.*
- *Marketing efforts are limited, with 67.2% of spaza shops not engaging in any marketing. Among those who do, popular methods include social media (24.1%), word-of-mouth (23.1%), and personal selling (13.8%).*
- *Considering their knowledge of national brands, 99% of the respondents are aware of national retail outlets in their township. Specific brand awareness includes Shoprite (89.7%), Boxer (33.8%), Pick 'n Pay (33.8%), U-Save (14.9%), and Cambridge (13.8%).*

CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Background

The township economy in South Africa has gained significant attention in recent years due to its potential to drive inclusive economic growth and reduce inequality. As more than 40% of South Africa's population resides in townships, developing these economies through formal and informal business development is crucial for job creation and alleviating poverty. To achieve this, a thorough analysis of the state of retail networks in South African townships is needed. Apartheid-era policies forcibly segregated non-white populations, resulting in the creation of townships characterised by economic marginalisation and limited access to resources (Magidimisha, 2017). However, post-apartheid policy frameworks, such as the National Development Plan (NDP) and the New Growth Path, have recognised the township economy as a potential driver of inclusive development (Black, 2015). Spaza shops and other businesses in the informal sector play a prominent role in providing essential goods and services to township residents (Khumalo, 2018).

Despite their access to large markets in the townships, most of these businesses do not grow to become established large and formal enterprises. Therefore, the aim of this study was to develop a growth and development framework to guide and support the evolution of spaza shops into large, sustainable, and profitable businesses operating within the township economy. The objective of developing a sustainable growth and development framework for spaza shops must be based on a clear understanding of the issues that impact these businesses in township economies, such as competition, support, challenges faced, and opportunities. Additionally, in recent years, the township market has witnessed the entry of national retailers into these trading areas, which potentially poses both opportunities and threats to spaza shops. Therefore, the secondary purpose of this study was to analyse this phenomenon to understand how it will impact spaza shops.

1.2 Problem statement

Spaza shops have existed since the inception of townships in South Africa during colonial times and have historically served as important sources of employment, income, and essential goods within these townships. Despite their potential to contribute to economic growth, job creation, and poverty alleviation, spaza shops in townships face numerous challenges that hinder their growth and sustainability. Despite their economic significance and access to large and underserved markets, spaza shops have remained small and informal, operating primarily as survivalist businesses. There is, therefore, a need to conduct research to identify the key factors contributing to the lack of growth and development of these spaza shops. Furthermore, a framework is needed to guide the growth and development of spaza shops to ensure their profitability, sustainability, and transformation into formal and larger businesses. Such a model is essential, especially in light of the entry of national retailers into the township market.

1.3 Rational and significance of the study

Spaza shops play a significant role in the township economy of South Africa, contributing to its vibrancy, employment creation, and poverty alleviation. These small convenience stores serve as crucial sources of affordable and accessible goods for township residents, filling gaps in formal retail infrastructure (Rogerson & Rogerson, 2019). By offering essential commodities, including food, household items, and basic necessities, spaza shops address the daily needs of local communities, ensuring convenience and reducing the cost of travel to distant retail centres (Chauke, Zwane & Bezuidenhout, 2019). Moreover, spaza shops serve as essential nodes of economic activity within townships, providing employment opportunities for local residents, particularly the youth, and contributing to household incomes (Khumalo, 2018).

These microenterprises also create entrepreneurial opportunities for aspiring business owners, nurturing a spirit of self-reliance and economic empowerment (Matjila, Rogerson & Van der Westhuizen, 2020). Additionally, spaza shops contribute to the local economy through their supply chains, engaging with local suppliers and distributors, thus fostering economic linkages within the township ecosystem (Rogerson & Rogerson, 2019). Overall, the presence and vitality of spaza shops not only address the socio-economic needs of township residents but also hold the potential to drive inclusive growth, reduce unemployment, and enhance community resilience. Therefore, understanding the factors behind the lack of growth of spaza shops operating in South African townships is essential for devising effective policies and interventions to unlock their economic potential. Furthermore, the framework developed from this study will enable spaza shops to effectively deal with the threats and opportunities posed by the entry of national retailers into their traditional market.

1.4 Aims and objectives of the study

The aim of this study was to develop a framework that will guide and support the growth and development of spaza shops operating in the township economy of South Africa.

The objectives were:

- *To **investigate** the factors that hinder the sustainable growth and development of spaza shops operating in townships in South Africa.*

- *To **establish** the readiness of spaza shop owners to collaborate with or compete against national retailers for market share in the township economy.*

- *To **develop** a practical and sustainable growth and development framework for spaza shops operating in the township economy.*

1.5 Research questions

The research questions guiding this study were:

- *What are the factors that hinder the sustainable growth and development of spaza shops operating in South African townships?*

- *What is the state of readiness of spaza shop owners to collaborate with or compete against national retailers for market share in the township economy?*

- *What practical and sustainable framework can be implemented to support the growth and development of spaza shops operating in the township economy?*

1.6 Conceptual and theoretical framework

This study was underpinned by the following three overarching theories: institutional theory, resource-based view theory (RBV), and social network theory.

Institutional theory examines the formal and informal rules, norms, and structures that shape economic behaviour. Applied to South Africa's informal sector, this framework enables an analysis of the institutional environment influencing the growth of informal businesses. It explores how regulatory constraints, legal frameworks, and social norms impact the development and expansion of these informal sector businesses (Visser & Rogerson, 2020).

The **RBV** theory emphasises the role of resources and capabilities in creating competitive advantage. In the context of the informal sector, the RBV will be employed to analyse the resources available to informal businesses and to assess how these resources either contribute to or impede their growth. This framework can help identify the resources needed for expansion, such as financial capital, human capital, and access to markets (Pauw & van der Westhuizen, 2020).

Social network theory focuses on the relationships, connections, and social capital that individuals and organisations possess. In examining informal sector businesses, this framework can elucidate the role of social networks in either facilitating or constraining growth. It can further investigate how social networks influence access to resources, information, and opportunities for entrepreneurs operating within the informal sector (Matjila et al., 2020).

The conceptual framework guiding this study includes the following elements:

- *Understanding the concept of the spaza shop*
- *Understanding the concept of the township economy*
- *Understanding the theories that guide business growth and development*
- *Investigating the factors that support the growth and development of spaza shops*
- *Investigating the factors that hinder the growth and development of spaza shops*
- *Determining and understanding the key relationships and stakeholders that support the growth and development of spaza shops.*

1.7 Literature review

Spaza shops, small informal retail establishments, play a vital role in providing essential goods and services to communities in South African townships. Despite their importance, many spaza shops encounter challenges in achieving sustained growth and development. This literature review examines the factors influencing the growth and development of spaza shops in South African townships, drawing on the perspectives of entrepreneurship theory, RBV, and social network theory.

Growth and development of spaza shops

Spaza shops have become significant entrepreneurial ventures within South African townships, supporting local economies and meeting the needs of underserved communities (Charman, Petersen, Piper, Liedeman, & Legg, 2017). However, various challenges hinder their growth. Limited access to financial resources remains a major barrier, constraining investments in infrastructure, stock, and expansion (Khumalo, 2019). Furthermore, inadequate business skills – such as marketing, financial management, and strategic planning – restrict these shops' ability to compete and innovate effectively (Sosibo & Bendixen, 2017).

Entrepreneurship theory perspective

Entrepreneurship theory provides insights into the factors influencing the growth of spaza shops. According to this perspective, the entrepreneurial mindset and resourcefulness of spaza shop owners are crucial determinants of growth. Entrepreneurial orientation, encompassing a proactive and innovative approach, can foster growth by enabling spaza shop owners to identify opportunities and adapt to changing market conditions (Maskur, 2018). However, a lack of entrepreneurial skills, limited access to business support services, and risk aversion may impede the growth potential of spaza shops (Tengeh, & Mukwarami, 2017).

RBV perspective

The RBV highlights the importance of resources and capabilities in achieving sustainable competitive advantage and growth. For spaza shops, access to financial resources, effective inventory management, and robust infrastructure are essential components of their growth potential. Limited access to formal financing and challenges in securing loans constrain these shops’ ability to invest in expansion or diversify their product offerings

(Khumalo, 2019). Additionally, inadequate infrastructure – such as unreliable electricity supply and insufficient storage facilities – further impedes the growth and long-term viability of spaza shops. (Hlatshwayo, 2018).

Social networks theory perspective

Social networks theory emphasises the role of relationships, social capital, and networks in influencing business growth and success. Spaza shop owners depend heavily on social networks to access resources, market information, and support (Charman et al., 2017). Strong ties within the community, including relationships with suppliers, customers, and other spaza shop owners, can enhance access to critical resources and business opportunities. However, limited network connectivity, social exclusion, and a lack of formalised support networks may restrict growth potential (Charman et al., 2017 ; Sosibo & Bendixen, 2017).

1.8 Definition of key concepts

Transformation: refers to a significant and fundamental change in a system, structure, or entity, resulting in a new state or condition. In the context of this study, transformation may refer to the changes required to promote the growth and development of spaza shops in South African townships (van Eyk, Amoah, & Yase, 2022).

Growth: refers to an increase in size, quantity, or value over time. In the context of spaza shops, growth can be understood as the expansion of their operations, customer base, sales, and profitability. It signifies the progression and advancement of the business (Sosibo & Bendixen, 2017).

Development: refers to the process of positive change and progress over time, involving improvements in various aspects such as infrastructure, economic conditions, social well-being, and human capabilities. In the context of this study, development may pertain to the overall advancement and upliftment of spaza shops in South African townships (Tengeh, & Mukwarami, 2017).

A framework: refers to a conceptual structure or model that provides a systematic approach for understanding, organising, and analysing a particular phenomenon or problem. It acts as a guide or roadmap for research, policy, or decision-making processes. This study's growth and development framework for spaza shops would outline the key components, variables, and relationships that influence their growth and development (Charman et al., 2017).

Sustainable: refers to the ability to meet present needs without compromising the ability of future generations to meet their own needs. In the context of spaza shops, sustainable growth and development involves strategies and practices that ensure long-term viability, economic sustainability, and positive social and environmental impacts (Maskur, 2018).

Township: refers to a residential area, usually on the outskirts of urban centres, characterised by a history of segregation and limited access to resources and opportunities. In South Africa, townships were established during apartheid as segregated areas for non-white populations. Townships often face socio-economic challenges, including high unemployment rates and limited access to formal services and infrastructure (Hlatshwayo, 2018).

Spaza shop: a small, informal retail establishment found primarily in South African townships. These shops operate in residential areas and serve as essential providers of goods and services to local communities. Spaza shops are typically run by entrepreneurs who operate on a small scale and face various challenges in their growth and development (Charman et al., 2017).

1.9 Research paradigm

A mixed methods approach was used to investigate the factors limiting growth in spaza shops. This approach allows for a comprehensive and nuanced understanding of the complex factors that contribute to the stagnation of spaza shops, harnessing the strengths of both research paradigms.

The study’s quantitative component, grounded in a positivist paradigm, provided statistical data on the growth barriers faced by spaza shops. A survey questionnaire was administered to a representative sample of South African spaza shop owners, allowing for data analysis through statistical techniques. This approach offered a broad overview of growth challenges, including financial constraints, regulatory burdens, and competitive pressures (Khumalo, 2019).

The qualitative component, informed by an interpretivist paradigm, explored the lived experiences and perspectives of spaza shop owners. In-depth interviews were conducted to uncover underlying reasons and contextual factors impacting growth. This qualitative approach allowed for deeper insights into the socio-economic challenges, cultural dynamics, and informal networks that shape spaza shop growth (Charman et al., 2017).

Integrating these two paradigms within a mixed-methods design offers several advantages. First, it allows for triangulation, enabling findings from diverse data sources to be compared, contrasted, and synthesised. This triangulation strengthens the study's validity and reliability by corroborating or challenging findings from multiple perspectives (Creswell & Creswell, 2018). Second, combining quantitative and qualitative data provides a richer, more comprehensive view of the phenomenon. Quantitative data offer breadth, while qualitative data add depth and context, supporting a more nuanced understanding of the factors limiting spaza shop growth (Johnson & Onwuegbuzie, 2004).

Furthermore, the use of mixed methods aligns with the pragmatic paradigm by emphasising the practical relevance and applicability of the research findings. Through a mixed-methods approach, this study seeks to generate actionable recommendations and strategies to address the growth barriers spaza shops face, thus contributing to their sustainable development and socio-economic progress.

In conclusion, a mixed methods study integrating quantitative and qualitative approaches provides a comprehensive understanding of the factors limiting spaza shop growth in South Africa. By combining the research paradigms of positivism, interpretivism, and pragmatism, this study offers valuable insights into both the quantitative data on growth barriers and the qualitative exploration of underlying contextual factors. This integration supports the development of targeted strategies and policy recommendations to promote sustainable growth for spaza shops.

1.10 Research approach

This study adopted a mixed methods approach, combining both qualitative and quantitative research techniques to investigate why spaza shops are not experiencing significant growth. By integrating these methods, the study provides a comprehensive understanding of the complex factors that contribute to spaza shop stagnation, offering unique advantages for this type of research.

A primary advantage of using a mixed methods approach is the ability to triangulate data. Triangulation involves collecting and analysing multiple data sources to validate and corroborate findings. For this study, triangulation occurs by comparing quantitative data, such as survey responses on growth barriers, with qualitative insights from in-depth interviews with spaza shop owners and other key stakeholders. This process enhances the credibility and reliability of the findings by incorporating multiple perspectives and supporting evidence (Creswell & Plano Clark, 2017).

Another advantage of a mixed-methods approach is the complementary nature of quantitative and qualitative data. Quantitative methods provide statistical summaries and generalisable insights into the prevalence and magnitude of growth barriers, while qualitative methods offer a deeper understanding of the underlying reasons and contextual factors influencing spaza shop growth. Through in-depth interviews, qualitative data capture the lived experiences, perspectives, and narratives of spaza shop owners, government officials, and other stakeholders. This richness in qualitative data enhances the researcher's understanding of the complexities and nuances surrounding the growth challenges faced by spaza shops (Onwuegbuzie & Leech, 2006).

Furthermore, integrating quantitative and qualitative data in a mixed-methods study enables a comprehensive exploration of both breadth and depth. The quantitative component provides a broad overview, identifying patterns and trends across a larger sample of spaza shops, which supports generalisability to a wider population. On the other hand, qualitative data delve deeply into the unique circumstances and specific experiences of individual spaza shop owners, allowing for a more nuanced and contextually rich understanding of the barriers to growth (Tashakkori & Teddlie, 2010).

Moreover, a mixed-methods approach aligns well with the pragmatic paradigm, emphasising the practical significance and application of research findings. By combining quantitative and qualitative data, the study generates both statistical evidence and rich narratives, which inform actionable recommendations and strategies for promoting spaza shop growth. This applied focus enhances the research's usefulness and relevance for spaza shop owners, policymakers, and other stakeholders (Creswell & Creswell, 2018).

1.11 Research design

The study adopted a sequential research design underpinned by a descriptive design and grounded theory. In the first phase, quantitative data were collected through an online survey. The second phase involved gathering qualitative data through interviews with purposively selected participants.

The third and fourth phase entailed data analysis. During this stage, findings from the qualitative and quantitative phases were integrated by comparing and contrasting results to identify patterns, discrepancies, or complementarities. This integration provided a more comprehensive understanding of the research questions by merging qualitative insights with quantitative statistical evidence.

1.12 Demarcation of the study

This national study includes respondents and participants selected from five provinces in South Africa. Using a purposive sampling approach, the study is cross-sectional, meaning data were collected at a single point in time to investigate the phenomena of interest. This design ensures that the study remains focused and feasible within the available resources and time constraints. For data collection, a combination of in-depth interviews and a questionnaire survey was employed.

1.13 Research methods

As a mixed methods study, this research involved three sets of samples.

SAMPLE 1: For the quantitative component, a survey questionnaire was administered to 450 purposively selected respondents, comprising 50 spaza shop owners from townships in five of South Africa's provinces. This sample was drawn from the Wholesale and Retail SETA (W&RSETA) database, which includes information on approximately 10,000 spaza shops across the country.

SAMPLE 2: For the qualitative component, 20 interviews were conducted with spaza shop owners from five provinces, with two participants per province.

SAMPLE 3: Additionally, two focus group discussions (FGDs) were held with 10 participants each. The FGDs included spaza shop owners, ensuring representation from each province. The second FGD comprised purposively selected business development practitioners, policymakers, government officials, and community leaders.

1.14 Sampling

A sample size of 196 spaza shops was proposed for the quantitative component of the project. Twenty interviews were conducted until data saturation was reached. Personal interviews with selected experts in sustainable business development and growth enhanced the data collected from spaza owners, supporting the development of a practical, workable framework. Data collection used both personal and telephone interviews, with several trained field workers conducting interviews in the townships.

Inclusion and exclusion criteria

For the questionnaire survey, respondents were required to be spaza shop owners operating in townships across any of the five provinces in South Africa. The first round of interviews included spaza shop owners from these townships. The second round involved government officials, policymakers, practitioners, and community leaders who play a role in the growth and development of spaza shops in South Africa. The FGDs included participants from all these groups, with purposively selected individuals chosen to address specific questions prepared by the research team.

1.15 Data collection and analysis

This study used two data collection instruments. The first is a semi-structured questionnaire administered to a sample of 196 purposively selected spaza shop owners nationwide. The second instrument is a semi-structured interview guide used for conducting in-depth interviews.

All data for this study were collected through personal or telephone interviews. Telephonic interviews were conducted either via phone or through applications such as Zoom and Microsoft Teams.

A pilot study tested the survey instruments with 10 respondents, while the interview and focus group discussion guides were piloted with two participants each. Feedback from these pilot tests was used to adjust the data collection instruments, ensuring validity and reliability.

The quantitative data were coded in Microsoft Excel and analysed using SPSS (version 26), the latest version of this software. SPSS allowed the project team to conduct descriptive statistical analyses, including means, standard deviations, and frequency distributions (Field, 2013). Additionally, SPSS enabled inferential statistical analyses such as t-tests, ANOVA, and regression analysis (Pallant, 2016). The robustness of SPSS also facilitated advanced analyses like factor analysis, structural equation modelling, and multivariate variance analysis.

1.16 Ethical considerations

In conducting this research study, the research team endeavoured to do so in an ethical manner. The researchers took into consideration pertinent ethical issues such as informed consent, anonymity, confidentiality, voluntary withdrawal, plagiarism, honesty, and integrity.

Informed consent in a research study refers to the process by which participants voluntarily agree to participate after receiving relevant information about the research (Flory & Emanuel, 2004). This process ensures that participants are adequately informed about the study's purpose, procedures, potential risks, and benefits before making an informed decision to participate. In this study, the research team ensured that all participants and respondents were fully informed of the study’s purpose and that their participation was entirely voluntary.

Anonymity in a research study involves protecting participants' identities, ensuring that their personal information cannot be linked to their responses or data (Yaniv & El-Alayli, 2017). Anonymity is essential for maintaining confidentiality and privacy. In this study, the research team ensured that the identities of participants and respondents remained anonymous and would not be disclosed to third parties.

Confidentiality in a research study refers to safeguarding participants' information and ensuring that their data is kept secure and private (Kass, Chaisson, Taylor, Lohse & Meslin, 2013). This involves handling participant data in a way that prevents unauthorised access and maintains the confidentiality of their responses. The research team guaranteed the confidentiality of all research data by ensuring its secure storage and privacy, with no sharing permitted to third parties.

Voluntary withdrawal n a research study refers to participants' right to withdraw from the study at any time without facing negative consequences (Tong, Sainsbury & Craig, 2007). It protects participants' autonomy to discontinue their involvement. In this study, the research team assured participants and respondents that they were free to withdraw at any point during the research process.

Plagiarism in research refers to using another person's work, ideas, or words without proper acknowledgment or attribution (Roig, 2014). This serious ethical violation undermines academic integrity and can have significant consequences for researchers. Plagiarism may occur in various forms, including verbatim copying, paraphrasing without citation, or presenting others' ideas as one's own. To avoid plagiarism and conduct this study ethically, the researchers adhered to rigorous citation and referencing practices.

Honesty and integrity in research encompass the ethical principles and behaviours researchers must uphold throughout the research process. This involves being truthful, transparent, and accountable when reporting research findings, methods, and contributions (Anderson et al., 2007). In this study, the researchers adhered to the highest standards of scientific integrity, ensuring the study's credibility and validity.

1.17 Limitations of the research

The main purpose of this study was to develop a framework to support the growth and development of spaza shops in South Africa. In conducting this research, the researchers anticipated the following limitations:

Researcher bias: Researchers' own biases, perspectives, or preconceived notions about spaza shops and their growth may influence the design, data collection, analysis, and interpretation of the study findings. To minimise the impact of this limitation, the researchers endeavoured to maintain objectivity at all times in order to mitigate potential biases throughout the research process.

Contextual factors: The study may not fully account for all the contextual factors that influence spaza shops' growth and development. Factors such as socio-economic conditions, local market dynamics, government policies, and cultural factors may play a role but could be challenging to capture comprehensively.

Sampling bias: The study relied on specific samples of spaza shop owners or locations, which may not have been representative of the entire population of spaza shops in South Africa, potentially limiting the generalisability of the findings. However, it is important to note that broad generalisability was not the primary objective of this study.

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CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This research study aimed to develop a sustainable growth and development framework for spaza shops operating in South African townships. The previous chapter provided an introduction and context for the study. It highlighted the study's objectives, the research problem, the rationale for the study, and the research methodology and design adopted. This chapter provides a theoretical foundation by reviewing the relevant literature on the growth and development of spaza shops within the township economy in South Africa. The chapter will commence with a discussion and justification of the theoretical framework adopted, followed by a conceptualisation of the township economy and a review of the literature on the nature, size, place, and role of Spaza shops in this context. Subsequently, the chapter will present a literature review on the growth of townships over the past decades in South Africa, current growth and development models for spaza shops, the challenges they face, and the implications of the entry of national retailers into the township economy. The chapter will conclude with a discussion of the gaps in the literature, followed by a summary at the end.

2.2 The theoretical framework

Grant and Osanloo (2014) argue that a theoretical framework is one of the essential aspects of the research process, as it supports the selection of a research topic, the development of research questions, the conceptualisation of the literature review, and the choice of research methodology and study design. Lester (2005) emphasises that having a theoretical perspective is critical in providing the researcher with a framework within which the research questions are posed and answered. As such, the theoretical framework helps to focus the study and provides the context within which the research phenomenon under investigation is understood (Bryman, 2012). As mentioned in Chapter 1, this study was underpinned by three overarching theories: institutional theory, RBV theory, and social network theory. The following section discusses institutional theory.

2.2.1 Institutional theory

South Africa's townships have historically been characterised by socio-economic challenges, including high levels of poverty and unemployment. Within this context, the growth, development, and sustainability of township businesses such as spaza shops are crucial for economic and social progress. Institutional theory offers a valuable framework for understanding the dynamics that influence the success of these businesses. As developed by DiMaggio and Powell (1983), institutional theory posits that organisations are influenced by both formal and informal rules, norms, and practices that shape their behaviour and structure. These rules, norms, and practices can include government regulations, industry standards, cultural values, and social expectations.

Khassawneh and Elrehail (2022) underscore that institutional theory provides researchers with a rich and complex view of organisations. The theory offers organisations the requisite rules and regulations to focus on when seeking support and legitimacy (Lammers & Garcia, 2017). Thus, institutional theory provided this study with insights into the nature and complexities of the growth and development of spaza shops in South Africa’s township economy.

Additionally, institutional theory helps researchers analyse complex and durable facets of social structure (Khassawneh & Elrehail, 2022). In this regard, institutional theory allows researchers to understand structures such as plans, regulations, customs, and routines formed as part of standards for organisational behaviour (Khassawneh & Elrehail, 2022). The theory distinguishes between three pillars: *coercive, normative*, and *mimetic isomorphism,* which represent different mechanisms through which organisations conform to institutional pressures (DiMaggio & Powell, 1983).

2.2.1.1 Coercive isomorphism

Coercive isomorphism pertains to the formal rules and regulations that organisations are compelled to adhere to. In the context of South Africa's townships, businesses frequently encounter regulatory challenges, including but not limited to licencing requirements and zoning restrictions. Such coercive pressures can significantly impede the growth and development of township enterprises (North, 1990). Specifically, within these townships, coercive isomorphism affects businesses, particularly spaza shops, through a range of formal regulations. These include obstacles in obtaining and renewing licences, zoning restrictions that impact spatial planning, compliance with health and safety standards, difficulties in navigating taxation and financial regulations, adherence to labour laws, challenges associated with environmental regulations, limitations on land use that affect expansion, and complications in complying with import-export rules. Collectively, these coercive pressures present considerable barriers to the growth and development of township businesses, restricting their capacity to formalise operations, expand infrastructure, and manage regulatory complexities. Addressing these challenges is essential for fostering an environment conducive to sustainable growth and development within the distinctive context of South African townships.

2.2.1.2 Normative isomorphism

Normative isomorphism pertains to the influence exerted by societal norms, values, and cultural expectations. In the context of South Africa, businesses situated within townships may be significantly shaped by cultural norms associated with entrepreneurship and community support. Such normative pressures can either facilitate or hinder the sustainability of these enterprises (Scott, 2001). In South African townships, normative isomorphism may manifest through the cultural norms that affect entrepreneurial practices and community support. Beneficial instances include a cultural emphasis on communal collaboration, whereby spaza shop owners receive assistance from the community, thereby fostering a sense of trust and mutual benefit. Additionally, cultural expectations regarding equitable business practices may promote transparency and ethical behaviour within these enterprises, ultimately contributing to their long-term sustainability (Ozturk, 2020). Conversely, detrimental instances may arise from cultural biases against specific entrepreneurial practices, which can stifle innovative approaches and discourage certain business ventures based on prevailing societal norms. It is imperative for spaza shop owners to understand and navigate these normative pressures in order to align their businesses with cultural values, thereby ensuring acceptance and support within the community for sustained growth.

2.2.1.3 Mimetic isomorphism

Mimetic isomorphism refers to organisations imitating successful models and practices. Spaza shops may mimic strategies employed by more established firms in urban areas, but this does not always lead to sustainable growth. Imitating practices from outside the township context can sometimes be counterproductive (Kaplan, 2011). In the context of mimetic isomorphism for spaza shops in South African townships, there are instances where these businesses replicate strategies from more established urban firms, but the outcomes may not always be conducive to sustainable growth. For example, a spaza shop might imitate the inventory management practices of a supermarket chain operating in urban areas. However, the township setting often involves different consumer behaviours, purchasing power, and market dynamics compared to urban environments. Attempting to replicate inventory models optimised for urban demand may lead to overstocking or misalignment with the specific needs of the township community, potentially resulting in financial strain and operational challenges for the Spaza shop (Jori, 2023). This illustrates how blind imitation, without contextual adaptation, can be counterproductive for sustainable growth in the township context.

2.2.1.4 Institutional voids

In the context of South African townships, institutional voids, characterised by weak regulatory frameworks and limited access to resources, can present significant challenges for township businesses. These voids can hinder growth and sustainability by limiting access to capital, markets, and business support services (Khanna & Palepu, 1997). Spaza shops often grapple with challenges arising from weak regulatory frameworks and constrained access to resources within the realm of institutional voids in South African townships. The licencing procedures for businesses in townships may lack clarity regarding efficient processing mechanisms, creating hurdles for spaza shop owners to obtain the necessary permits promptly. Additionally, limited financial infrastructure in townships may restrict access to capital for business expansion and operational improvements. This dearth of formal financial support impedes the ability of Spaza shops to invest in inventory, technology, and store enhancements. Furthermore, the absence of dedicated business support services, such as mentorship programmes or government initiatives, contributes to the institutional voids, making it difficult for spaza shops to navigate and overcome obstacles that hinder their growth and sustainability.

2.2.1.5 Social capital and trust

Within institutional theory, social capital and trust are critical factors that influence business growth. Building trust within the township community and among stakeholders can enhance the sustainability of businesses (Putnam, 1993). Social capital and trust play pivotal roles in the growth and sustainability of companies, particularly within the unique context of South African townships. Putnam's (1993) work underscores the significance of social capital, emphasising the value derived from social networks, relationships, and community bonds.

In the context of spaza shops, building trust within the township community is essential for long-term success. For instance, a spaza shop owner who actively engages with local residents, participates in community events, and establishes personal connections with members of the community may foster a sense of trust. Likewise, collaborative efforts with other local businesses, community leaders, and suppliers contribute to the accumulation of social capital. This interconnected web of relationships not only enhances the Spaza shop's reputation but also creates a supportive environment where trust becomes a catalyst for sustainable business practices and community development.

2.2.1.6 Limitations of institutional theory

Institutional theory has been extensively employed to understand the dynamics of organisations, including businesses, within their broader social and regulatory contexts. While it offers valuable insights into the factors that influence organisational behaviour, the application of institutional theory in the study of township businesses in South Africa is not without its weaknesses (Bonface, Manini & Alala, 2021). One of the primary weaknesses of applying institutional theory to township businesses such as spaza shops in South Africa is its limited cultural sensitivity. The theory originated in Western contexts and may not fully capture the nuances of township cultures and values. As spaza shops often operate within unique social and cultural contexts, the theory's Western-centric assumptions may not adequately explain entrepreneurs' motivations, behaviours, and responses in these settings (Nkomo, 2006).

Secondly, institutional theory's emphasis on isomorphism, particularly mimetic isomorphism, can lead to the homogenisation of township businesses. By encouraging businesses to mimic successful models from outside the township context, institutional theory may inadvertently stifle innovation and fail to recognise the distinctiveness and strengths of township businesses (Meyer & Rowan, 1977).

Thirdly, institutional theory often focuses on formal institutions and regulatory frameworks, neglecting the significance of informal institutions within township communities. Spaza shops often utilise informal networks, trust-based relationships, and community norms to navigate their operating environment. These informal institutions can be crucial for growth and sustainability but are often overlooked by institutional theory (Portes, 1998).

Fourthly, while institutional theory acknowledges coercive pressures, it does not sufficiently address the challenges posed by institutional voids in the township context. These voids, characterised by weak regulatory structures and limited access to resources, present significant barriers to growth and sustainability for township businesses. Institutional theory does not provide adequate guidance on how to navigate or overcome these voids (Khanna & Palepu, 1997).

2.2.2 Resource-based view theory

RBV constitutes a crucial facet of the theoretical framework guiding this research on transforming the township retail market in South Africa. Originating from the work of scholars such as Govinnage and Sachitra (2019), this theory posits that a firm's sustained competitive advantage stems from its possession and strategic deployment of unique, valuable, and non-substitutable resources. In the context of spaza shops in South African townships, understanding the resource endowment of these businesses becomes pivotal. RBV aids in identifying the distinctive resources, whether physical, human, or organisational, that spaza shops can leverage for sustainable growth and competitiveness (Paradza & Daramola, 2021).

Spaza shops in South African townships possess diverse resources crucial for gaining a competitive advantage, aligning seamlessly with RBV (Muhyi et al., 2023; Abrahamsson & Rehme, 2010). These resources include physical attributes such as strategic store locations near residential areas and well-designed store infrastructure that enhances customer accessibility. Additionally, these resources may encompass invaluable local knowledge, ensuring an understanding of community preferences, cultural nuances, and purchasing behaviours, alongside the entrepreneurial skills of the shop owner. Organisational resources involve establishing strong supply chain relationships with local suppliers, ensuring a varied and stable product inventory, and implementing customer loyalty programmes to foster repeat business. Innovation resources contribute significantly, including adaptability to changing market trends and offering a diverse product range based on local needs. Social capital, as well as reputational and financial resources, further solidify Spaza shops' sustained competitiveness and longevity, exemplifying their integral role in the growth and success of the township retail market.

2.3 The origin and definition of spaza shops

Within the framework of this research study, understanding the origin and definition of spaza shops is integral to elucidating their role in the township economy (Lamb, Kunene & Dyili, 2019). Originating from South African townships, spaza shops are informal, small-scale retail enterprises that have historically served as essential community hubs. The term "spaza" is derived from isiZulu, meaning "hidden" and "improvised", reflecting the grassroots and adaptive nature of these establishments. Initially emerging during the apartheid era when formal economic opportunities were limited for township residents, spaza shops played a crucial role in meeting local needs (Bhorat & Asmal, 2019; Chamberlain, 2019; Enaifoghe & Vezi-magigaba, 2022).

Over time, they evolved into versatile retail outlets, offering a range of goods and services. The following section explores and defines the historical roots, evolution, and contextual significance of spaza shops, laying the groundwork for subsequent analyses of their growth, challenges, and integration into the broader township economy (Stark, 2020).

2.4 The nature and role of spaza shops in the township economy

A thorough examination of the nature and role of Spaza shops is crucial for understanding their influence on township economies within this research context (Charman, Bacq & Brown, 2019; Bhorat & Asmal, 2019). As small, informal retail businesses deeply integrated into South African townships, spaza shops play multifaceted roles. They serve as essential sources of convenience for residents, supplying daily necessities and fostering community connections. Spaza shops are characterized by adaptability, responding swiftly to the varied needs and preferences of local populations. Their economic and social contributions highlight how these shops stimulate entrepreneurship, create employment opportunities (Lamb et al., 2019), and bolster the local economy. Additionally, spaza shops act as community anchors, fostering social cohesion and providing platforms for informal economic activities. By analysing the complex nature and multifunctional role of spaza shops, this study aims to offer insights for developing sustainable growth models that align with the unique dynamics of township economies (Charman et al., 2019). The next section explores the growth of townships since 1994.

2.5 The growth of townships since 1994

Since the advent of democracy in 1994, post-apartheid South Africa has seen substantial shifts in urban development and social structures (Moos & Sambo, 2018). Historically marginalised and underserved, townships have undergone notable changes in infrastructure, housing, and access to services. The growth of townships, both in population and economic activity, emerged as a central focus of national development strategies (Malgas & Zondi, 2021). By tracing the trajectory of township growth over the past three decades, this study aims to contextualise the current landscape in which R184 billion of South Africa's R716 billion national market operates, representing the living environment of 70% of the South African population. This backdrop provides critical insight into the hybrid challenges and evolving opportunities that township businesses – especially spaza shops – face within the dynamic township retail market (Meyer, 2019). The next section explores the conceptualisation of the township economy.

2.6 Conceptualisation of the township economy

The conceptualisation of the township economy served as a foundational aspect of building the framework of this research study. As a distinct economic entity, the township embodies a complex interplay of socioeconomic factors, historical legacies, and contemporary dynamics (Lamb et al., 2019). Grasping the unique characteristics of the township economy is essential for developing a sustainable growth model for spaza shops (Enaifoghe & Vezi-Magigaba, 2022; Lamb et al., 2019). A study by Lamb et al. (2019) examined the historical evolution of townships in South Africa since 1994, analysing growth patterns, socio-economic challenges, and the rise of entrepreneurial ventures like spaza shops. By outlining the key features and contextual nuances of the township economy, Lamb et al.'s (2019) study provides a comprehensive understanding that informs the analysis of spaza shop growth and development in this study. This conceptual groundwork enriches our understanding of the unique dynamics within the township economic landscape. The following section presents the study's conceptual framework.

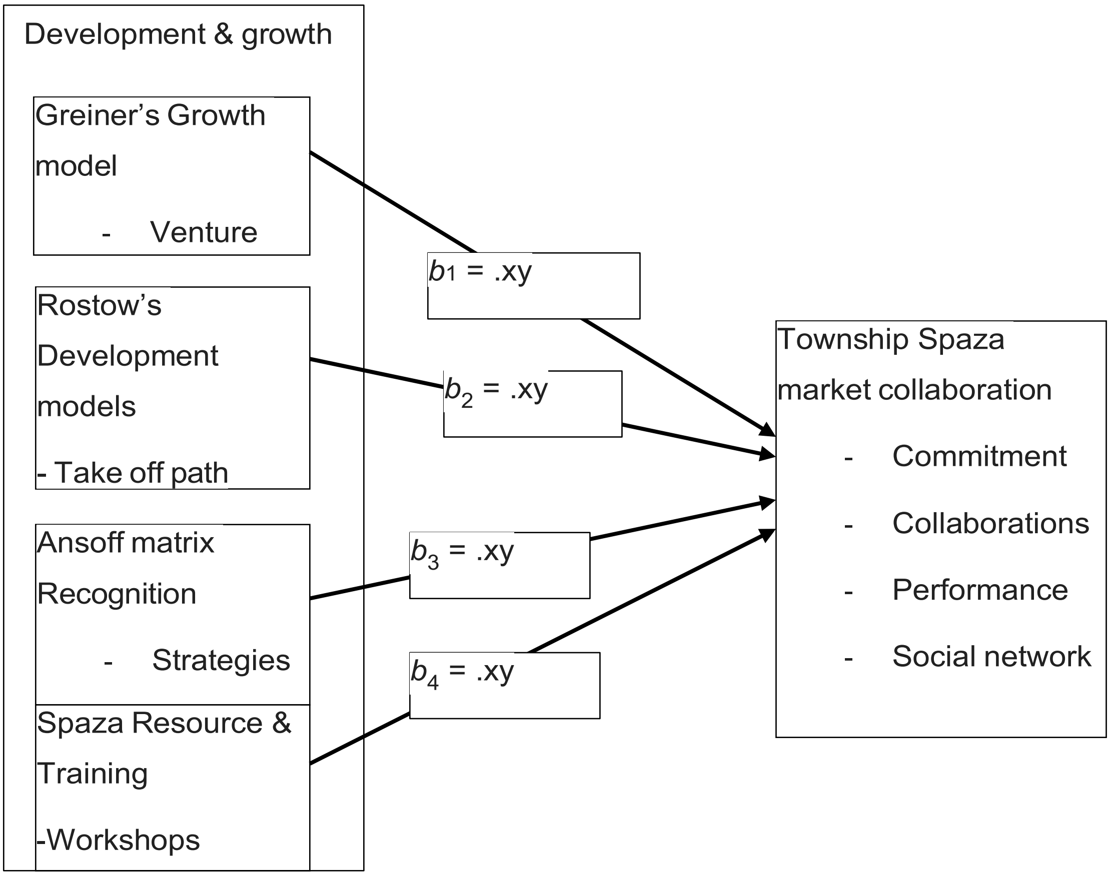

Figure 1: Conceptualisation of the growth and development of the township economy

- *Spaza shop growth and development model*

The growth and development of the township retail model stands as a unique retail paradigm meticulously crafted for the specific dynamics of South African townships (Malgas & Zondi, 2021; Chamberlain, 2019). Diverging significantly from conventional retail model structures, the proposed growth and development model consists of growth, development, the Ansoff matrix, and spaza resources and training needs. This model intricately weaves together the economic, social, and cultural tapestry (*b = yx variable*) of township life. Its pivotal facets include a community-centric focus, tailoring products and services to local needs, strategically positioned accessibility, promoting grassroots entrepreneurship and ownership, a commitment to adaptability in response to the dynamic township economies, fostering social integration as retail spaces double as community hubs, navigating challenges of informality with resilience, and a deep cultural embedding (Chamberlain, 2019), along with a dedication to community engagement. By amalgamating these elements, the model envisions a sustainable and community-driven retail ecosystem (Mohamud, Muturi & Samanta, 2018), designed to cater to the distinctive requirements of South African townships, thereby contributing significantly to local economic development and social cohesion. The following section dissects the current growth and development models.

2.7 Current growth and development models

This research study critically assessed the existing models shaping the growth and development of businesses, mainly spaza shops, within South African townships. Analysing contemporary strategies and frameworks, this research study explored the approaches adopted by various stakeholders, including government bodies, non-governmental organisations (NGOs), and the business community. The growth and development models for spaza shops in South African townships are multifaceted, responding to economic, social, and regulatory influences. Government-led initiatives encompass financial assistance and training programmes, empowering spaza owners with capital and skills. The focus is on skills development and community networking, fostering effective business operations. Digital integration sees spaza shops embracing e-commerce platforms and digital payment solutions for expanded reach and financial inclusion (Mbumbo, Benedict & Bruwer, 2019; Nunden, Abbana, Marimuthu & Sentoo, 2022).

Supplier partnerships involve collaboration with local suppliers for a robust supply chain, while social entrepreneurship models emphasise community impact. Technology adoption, including inventory management systems and customer engagement applications (apps), enhances operational efficiency. Collaborations with national retailers provide market access and mutual benefits, and innovation and diversification strategies respond to changing market dynamics. Understanding these diverse models is essential for evaluating their efficacy, identifying gaps, and crafting a tailored, sustainable growth model for spaza shops in South African townships. The following section discusses Greiner’s growth models.

- *Greiner's growth models*

In the dynamic landscape of South African township spaza shops, as noted in other studies, a diverse growth model can bolster sustainability and economic influence (Nyasha, 2020). Tailored to confront the unique challenges faced by these small enterprises, potential growth strategies encompass community-centric approaches that foster goodwill through social impact initiatives and prioritise local employment. Embracing digital transformation involves leveraging e-commerce and digital marketing to expand reach and engagement.

Supply chain optimisation entails strengthening local sourcing relationships and implementing efficient logistics (Helo & Hao, 2022). Financial inclusion models include microfinance partnerships and the adoption of digital payments. Collaboration with national retailers offers partnership programmes and enhanced market access (Rietze & Zacher, 2022). Innovation and diversification strategies focus on product and service enhancements. Technology adoption involves inventory management and customer relationship tools, while capacity building includes entrepreneurial workshops and networking events. Customising these models to the distinctive needs and nuances of spaza shops in South African townships ensures effective implementation within the local cultural, regulatory, and socio-economic context.

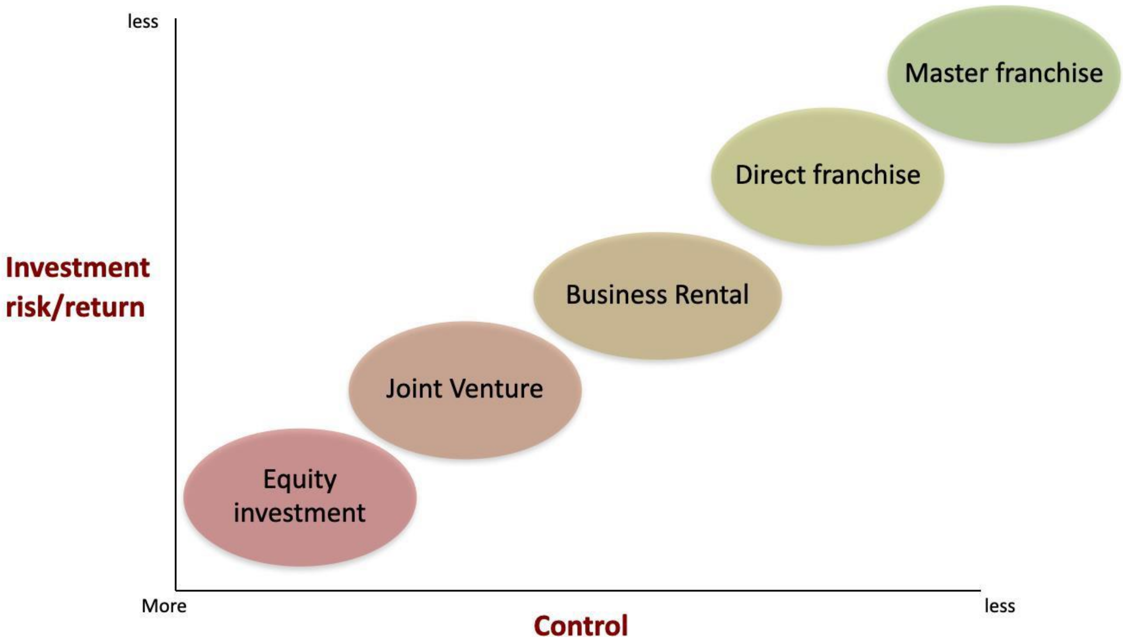

Figure 2: Greiner's growth model curve on spaza shops (Source: Greiner)

Larry E. Greiner's organisational growth model, designed for larger entities (Abaoud, 2019), can be adapted to understand the growth trajectory of spaza shops in South African townships. In the context of spaza shops, as noted in Figure 2.2 above, the initial phase resembles Greiner's "equity investment." Spaza shop owners exhibit entrepreneurial creativity and innovation (International Business Machines, 2022) as they navigate the entrepreneurial landscape, identifying market needs and establishing their Spaza shops with a focus on local demands and preferences. As a spaza shop expands, a "joint venture" emerges (Naudé, Hamilton, Ungerer, Malan & Klerk, 2018). Owners grapple with managing a growing enterprise, making decisions on inventory, customer service, and daily operations. This stage highlights the transition from a small-scale operation to a more complex business structure. As they enter a growth phase, spaza shop owners encounter a "Business Rental". Realising the limitations of managing all aspects independently, they must learn to delegate responsibilities and empower employees. Effective delegation becomes crucial for sustainable growth.

The challenges associated with coordinating various aspects of an expanding spaza shop are consistent with Greiner's concept of the "direct franchise" (Jagannathan et al., 2020). Owners are required to implement efficient systems and processes to effectively manage supply chains, address customer demands, and organise employee responsibilities. This framework is particularly relevant to the significant growth experienced by spaza shops, where collaboration challenges emerged, mirroring Greiner's model. This necessitates the establishment of effective partnerships with suppliers, community organisations, and other spaza shops, thereby enhancing market presence and competitiveness through the sharing of resources.

As a spaza shop becomes more established, it may encounter the challenges associated with a "master franchise" (Chamberlain, 2019). This encompasses the navigation of regulatory complexities related to collaboration, bureaucratic obstacles, licencing requirements, and zoning restrictions, all of which could impede further growth. Addressing these challenges is a critical component of sustained success. The present study employs Greiner's growth model to analyse the evolution of Spaza shops, thereby offering insights into the potential challenges and crises encountered at various developmental stages (Hamilton, Mittal, Shah, Thompson & Griskevicius, 2019). Nevertheless, it is essential to recognise that the growth dynamics of spaza shops may not precisely replicate those of larger entities, necessitating flexibility in the application of the model to the distinct context of township micro-businesses. The subsequent section will discuss Rostow’s development models.

- *Rostow's development models*

Rostow’s development model encompasses diverse strategies to foster sustainable growth in economies and businesses (Sang, Bakar & Clayton, 2020). The stages of Rostow's model of economic growth are particularly applicable when addressing the unique challenges faced by spaza shops in South African townships. These models include spaza shop-centric development initiatives that enhance social impact through projects and local factors, contributing to community empowerment. The digital transformation model leverages e-commerce and digital marketing to expand customer reach (Ufua et al., 2022; Zabolotniaia, Cheng, Dorozhkin & Lyzhin, n.d.). Supply chain optimisation focuses on local sourcing and efficient logistics, while financial inclusion models collaborate with institutions to provide accessible credit and digital payment solutions. Collaborating with national retailers establishes partnership programmes and broadens market access (Rietze & Zacher, 2022; Helo & Hao, 2022). Innovation and diversification models introduce unique products and services, while technology adoption involves implementing inventory and customer relationship management systems (Takahashi, Muraoka & Otsuka, 2020). Capacity building and training models offer ongoing education for spaza shop owners. It is essential to adapt these models to the local context, considering cultural, regulatory, and socio-economic factors for effective implementation.

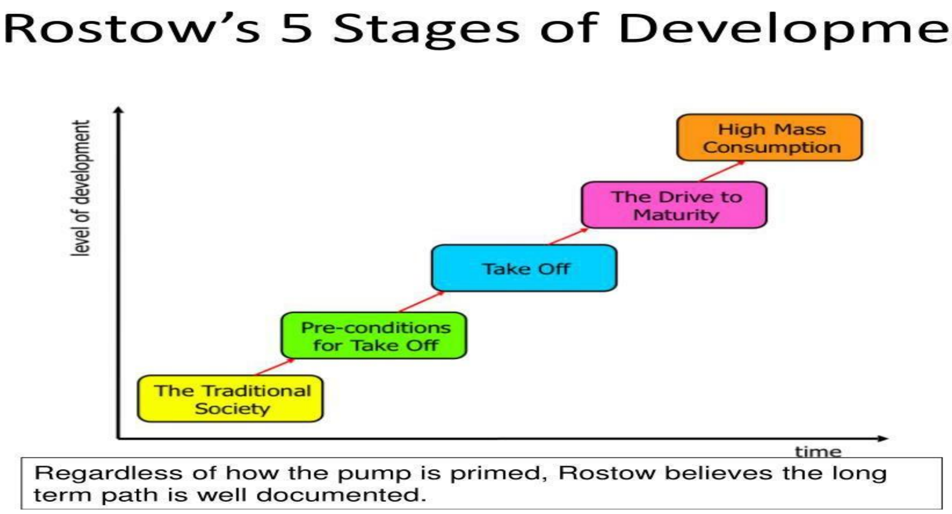

Figure 3: Rostow's stages of economic developmental model (Source: Rostow)

According to Figure 3, Rostow's stages of the economic developmental model, often referred to as the "Spaza Shop developmental model" in the context of South African townships, provides a linear framework for understanding the progression of economic development within societies (Kanger, Tinits, Pahker, Orru & Kumar, 2022). Although the model was not initially designed for micro-businesses like Spaza shops, parallels can be drawn by adapting its stages to the unique circumstances of these small enterprises.

In the initial stage of "traditional society", Spaza shops reflect a traditional economic setup within South African townships (Helo & Hao, 2022), primarily offering basic goods to local communities with limited product variety, small-scale operations, and reliance on local supply. As townships develop and experience population growth, Spaza shops enter the "pre-conditions for take-off" stage. This phase involves adjustments to meet rising demand, characterised by increased market awareness, a growing number of Spaza shops, expanded product offerings, and enhanced local visibility.

The "take-off" stage signifies a period of rapid expansion for spaza shops. This phase is marked by entrepreneurial initiatives, heightened competition (Pel, Scholl & Boons, 2022), and a more diverse product range, leading to intensified market competition, innovation in products and services, and a growing customer base. In the "drive to maturity" stage, well-established spaza shops become integral to the local economy. Further diversification, operational optimisation, and the adoption of modern business practices are hallmarks of this phase (Nunden et al., 2022), characterised by an established market presence and potential collaboration with local stakeholders.

Upon reaching the "Age of High Mass Consumption", spaza shops contribute significantly to the local economy and experience sustained growth. They may further diversify, adopt advanced technologies, and expand services, showcasing advanced business practices, potential integration of digital technologies, and a prominent role in the community. This adaptation of Rostow's model acknowledges that, while it traditionally applies to entire economies, it provides a simplified framework for understanding the developmental trajectory of these small businesses within the unique context of South African townships (Wood, Bischoff, Management & Bischoff, 2023). The stages are fluid, and progression may vary based on local conditions and external factors. The following section discusses Ansoff's growth matrix models.

- *The Ansoff matrix models*

The Spaza Shops model, originating during the apartheid era, epitomises a distinctive hybrid growth framework within the Ansoff matrix, specifically adapted to the complex economic and social dynamics of South African townships (Kotler, 2002; Manuylenko & Shebzukhova, 2021). Functioning as informal, small-scale retail hubs within residential areas, these spaza shops effectively address community needs through strategic positioning and diversified product offerings. Beyond their commercial role, spaza shops, as identified within the Ansoff matrix, act as vital community hybrid hubs, fostering social cohesion and embodying grassroots entrepreneurial resources (Msiza, 2022). Operating in an informal capacity, spaza shops exhibit a remarkable degree of adaptability, successfully navigating regulatory challenges while maintaining direct supply chain relationships with local suppliers. Their flexibility in pricing, credit arrangements, and reliance on social capital further underscore the model's resilience. Deeply rooted in the organic culture of South African townships (Nyasha, 2020), Spaza shops symbolise not only economic convenience but also a manifestation of self-sufficiency, cultural significance, and community strength.

Figure 4: The Ansoff matrix (Source: Ansoff, 1960)

As noted in Figure 2.3 above, the market penetration of spaza shop owners can strategically be enhanced by their market share within existing townships through the employment of various tactics (Sang et al., 2020). Potential strategies include aggressive local marketing, loyalty programmes, and optimising the in-store experience. For instance, offering promotions, discounts, and bundle deals can incentivise current customers to shop more frequently or increase their spending.

Secondly, the market development stage involves targeting new customer segments within existing townships and expanding to nearby townships with similar demographics. This could be achieved by introducing products and services tailored to specific segments within the township, such as health-conscious options or culturally specific products.

Thirdly, product development must meet the evolving needs and preferences of the local community; spaza shop owners might consider introducing new products to enhance existing ones. Collaboration with local producers to introduce unique, culturally specific products not commonly found in other spaza shops exemplifies this strategy. Lastly, diversification involves spaza shops venturing into new services to cater to different needs within the community or exploring opportunities beyond their traditional product range. This may include offering additional services such as bill payment facilities, organising community events, or partnering with local artisans to sell handmade crafts.

These strategies align with the Ansoff Matrix, though the informal and unique nature of spaza shops necessitates a flexible and community-oriented approach. Local culture, purchasing power, and community dynamics should heavily influence the application of these strategies for sustainable growth and development. The next section discusses the social network model.

- *Social network model*

Social network theory constitutes a pivotal perspective in the broader exploration of frameworks guiding the sustainable growth and development of spaza shops in South African townships. This theory examines the intricate web of social relationships and interactions among individuals or entities (Venkatesh, 2022). When applied to the context of spaza shops, this theory elucidates how the success of these establishments is intertwined with their embeddedness in social networks within the township community (Mohamud et al., 2018). The strength of ties, information flow, and collaborative partnerships among entrepreneurs, customers, and other stakeholders all influence the ability of spaza shops to navigate challenges and capitalise on opportunities (Goldsby et al., 2019). By dissecting the social fabric surrounding spaza shops, this study aims to unearth actionable strategies that enhance the resilience and sustainability of these businesses within the township economy. The subsequent section discusses the challenges to the growth and sustainability of spaza shops.

2.8 Challenges to the growth and sustainability of spaza shops

This research section critically examines the multifaceted challenges hindering the growth and sustainability of spaza shops in South African townships (Enaifoghe & Vezi-magigaba, 2022). By addressing economic, social, and regulatory dimensions, the study identified barriers that impede the expansion and resilience of these small enterprises. Economic challenges, such as limited access to capital, market fluctuations, and intense competition, were explored alongside social issues, including community dynamics, trust-building, and the imperative for social cohesion.

Regulatory hurdles, including licencing requirements and zoning restrictions, constitute additional obstacles faced by spaza shops (Lamb et al., 2019). Moreover, the research also explored the repercussions of external factors, such as the entry of national retailers into the township economy. Through a comprehensive analysis of these challenges, the study aimed to lay the groundwork for targeted strategies and policy recommendations to fortify the growth and sustainability of spaza shops within the township context (Msiza, 2022; Enaifoghe & Vezi-magigaba, 2022). The subsequent section discusses the entrance of national chains into the township economy.

2.9 The entrance of national chains into the township economy

This section examines the transformative impact of national retail chains entering the township economy in South Africa, as indicated by Lamb et al. (2019:1351). With the shifting economic landscape, coupled with challenges related to regulatory red tape and confusion within governmental and community establishments, major retail organisations are increasingly extending their reach into historically underserved areas, including townships. The study investigated the motivations behind such establishments, the strategies employed, and the consequences of this market shift, analysing how the entry of national chains influences the competitive dynamics within the township retail sector.

Additionally, the research explored the implications of national retailers entering the township market for local businesses, particularly Spaza shops, as noted by Masha (2021), in terms of market share, pricing, and consumer preferences. The study aimed to unveil the nuanced interactions between large-scale retailers and spaza shops, shedding light on the challenges and opportunities that arise from this evolving economic scenario within the township economy. Understanding these dynamics is crucial for devising inclusive and sustainable growth models that balance the interests of both local businesses and national chains, as elucidated by Runeson, Höst, & Rainer, (2012) and Venkatesh (2022). The following section discusses collaboration between national retailers and spaza shops.

2.10 Collaboration between national retailers and spaza shops

This section examines the intricate dynamics and potential benefits of collaboration between national retailers and spaza shops within the township economy of South Africa, as noted by Mnembe (2022). Recognising the coexistence of large-scale retailers and small, community-based spaza shops, the study investigates models of cooperation that foster mutual growth. Additional collaborative strategies identified by Paradza and Daramola (2021) encompass supply chain partnerships, shared resources, and joint marketing initiatives. It is imperative to understand how these alliances can enhance the resilience and competitiveness of both entities in the context of Dlamini and Mbatha (2018).

This research study assessed the socio-economic impact of such collaborations on the broader community, examining whether these partnerships contribute to local development, employment, and economic inclusivity. By unpacking the intricacies of collaboration, the study sought to offer insights that inform strategies for building sustainable and symbiotic relationships between national retailers and spaza shops, thereby creating a more vibrant and inclusive township economy, as indicated by Willie,(2022) and Malgas and Zondi (2021).

The developments provided insights into these actual collaborations between national retailers and spaza shops in South African townships. In considering reports on case studies from organisations involved in economic development and business support (Gausman, Langer & Jolivet, 2023; Mnembe, 2022), these entities may highlight successful partnership models or initiatives that foster collaboration between larger retailers and local businesses. Furthermore, local business forums and trade associations focused on community development can provide valuable information on genuine collaborative efforts (Marini, 2023). Engaging directly with spaza shop owners, industry experts, and representatives from national retail chains through interviews and surveys may offer firsthand accounts of existing partnerships and their impact on the township economy (Jagannathan et al., 2020). Moreover, monitoring social media channels, official statements from retail corporations, and community-driven initiatives might reveal collaborations and joint ventures on support programmes. As collaboration is dynamic and context-specific, staying updated with the latest news and industry reports will provide a more accurate representation of the current situation in the South African township retail market. The following section discusses the gaps in the literature.

2.11 Gaps in the literature

This literature review identified several gaps in the existing research. While institutional theory, RBV theory, and social network theory form the theoretical foundation, their application in the South African township context reveals cultural insensitivity, potential homogenisation of businesses, and a focus on formal institutions, neglecting informal ones (Govinnage & Sachitra, 2019; Ogundipe, 2020). Moreover, institutional theory may not effectively address the challenges posed by institutional voids in townships. The literature review emphasises the need for a more culturally sensitive and context-specific approach. Additionally, this study acknowledges the limitations of current growth and development models for spaza shops, highlighting the need for a more targeted and comprehensive approach to sustainable growth. These gaps underscore the importance of addressing cultural nuances, informal institutions, and the unique challenges faced by township businesses to create effective and inclusive strategies for sustainable development (Kochina, 2019; Teffo, Sigama & Kanobe, 2023; Ntabankulu Local Municipality, 2024).

The economic and social significance of South Africa's townships, which have faced historical socio-economic challenges, including poverty and unemployment, should not be underestimated. Given the centrality of spaza shops in these townships, understanding and promoting their growth and development is crucial for economic and social progress.

Furthermore, the knowledge gap identified in the literature review, as highlighted in this study, particularly regarding the cultural insensitivity of current theories, warrants further investigation. Addressing these gaps is essential for a more nuanced and practical approach to the growth and development of spaza shops.

Moreover, the theoretical framework selected for this study encompassed institutional theory, RBV theory, and social network theory. These frameworks provide a comprehensive understanding of the factors influencing spaza shop growth, allowing for a multidimensional analysis. The contextual relevance of the study recognises the unique importance of spaza shops in the socio-cultural context of South African townships, thereby warranting the need for a more context-specific approach, as posited by Willman, Jennex and Frost (2022). This ensured that the proposed sustainable growth and development model is tailored to the specific investment challenges and opportunities faced by spaza shops in their own contexts and settings. The next section provides a summary of this chapter.

2.12 Chapter summary

This study aimed to develop a sustainable growth and development model for spaza shops operating in South African townships. This chapter established the theoretical foundation for the study, drawing on institutional theory, the resource-based view, and social network theory. Institutional theory, with its focus on coercive, normative, and mimetic isomorphism, provided insights into challenges faced by spaza shops, such as regulatory issues and cultural influences. However, this theory has been critiqued for its cultural insensitivity, potential for homogenisation, and neglect of informal institutions. The RBV emphasised leveraging unique resources for spaza shop growth, while social network theory explored relationships within township communities, essential for spaza shop resilience. The conceptualisation of the township economy, the historical roots of spaza shops, and their multifaceted role were also reviewed in this chapter. Key challenges identified include limited capital, market dynamics, and competition from national retailers. Gaps in the literature highlight the need for a more context-specific approach to developing a growth model for spaza shops in South African townships. This research study aimed to contribute a targeted and inclusive sustainable growth and development model for spaza shops in the township economy. The following chapter discusses the research methodology and design adopted for this study.

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CHAPTER 3: RESEARCH METHODOLOGY AND DESIGN

3.1 Introduction

In the preceding chapter, the researchers conducted an extensive literature review focusing on growth and development models relevant to the transformation of the township economy in South Africa. This comprehensive exploration provided a foundation for understanding the existing landscape, challenges, and potential avenues for enhancement within this critical sector. Drawing from a wealth of scholarly works, governmental reports, and empirical studies, the researchers synthesised key insights into the dynamics of the township economy, the factors influencing its growth trajectories, and various developmental frameworks proposed to catalyse its transformation (Saunders, Lewis, & Thornhill, 2009). Building upon the insights gleaned from the literature review, this chapter presents a detailed exposition of the research methodology and design employed in this study. With a steadfast commitment to rigour and relevance, the researchers adopted a quantitative research approach to systematically investigate the nuances of the township economy's transformational processes (Creswell, 2012). This methodological choice was driven by the need to collect empirical data, identify patterns, and derive actionable insights to inform policy formulation and strategic interventions (Saunders et al., 2009).

3.2 Research philosophy

This applied research project sought to develop a growth and development model for spaza shops operating in South African townships. The study adopted a positivist research philosophy. In pursuing the development of a model tailored to the unique context of spaza shops in South African townships, the adoption of a positivist philosophy underscored a commitment to empirical inquiry, objectivity, and the scientific method (Bajpai, 2011).

Positivism, as a philosophical stance, advocates for the systematic observation and measurement of phenomena to uncover objective truths and regularities in the natural and social world (Saunders, Lewis, & Thornhill, (2019). This choice of research philosophy aligns with the inherent complexity of the research problem and the need for methodological rigour to derive actionable insights for policy formulation and practical interventions (Schlegel, 2015).

Central to the positivist approach is the belief in an external reality governed by observable laws and principles independent of subjective interpretation (Schlegel, 2015). By embracing this philosophical orientation, the research aimed to transcend biases and preconceived notions, instead focusing on gathering empirical evidence to test hypotheses and validate theoretical propositions (Saunders et al., 2009). The emphasis on empirical verification aligns with the overarching objective of developing a growth and development model grounded in robust empirical foundations, capable of withstanding scrutiny and offering practical utility to stakeholders within the township economy ecosystem (Tennis, 2008).

Moreover, the positivist research philosophy championed the use of quantitative methods as a means to quantify and analyse phenomena, elucidating patterns, relationships, and causal mechanisms (Rahi, 2017). In the context of spaza shops, this entails the systematic collection of numerical data pertaining to various aspects of their operations, including sales performance, inventory management, market dynamics, and the socio-economic profiles of proprietors and customers. Through statistical analysis and mathematical modelling, the research endeavoured to uncover underlying patterns and drivers of growth, thereby informing the development of a predictive model capable of forecasting future trends and optimising resource allocation.

Furthermore, the positivist research philosophy underscores the importance of objectivity and replicability in the research process. Adhering to rigorous methodological standards and employing systematic procedures for data collection, analysis, and interpretation enhanced the credibility and trustworthiness of the study’s findings (Brannen, 2017). This commitment to objectivity extends to the acknowledgement and mitigation of potential sources of bias, ensuring the integrity and validity of research outcomes.

Adopting a positivist research philosophy to develop a growth and development model for spaza shops in South African townships reflects a commitment to empirical rigour, objectivity, and scientific inquiry (Brannen, 2017). Through this philosophical orientation, the study aimed to provide robust empirical evidence and actionable insights to strengthen the resilience and sustainability of spaza shops within the township economy, thereby fostering inclusive economic growth and prosperity.

3.3 Research approach

The adoption of a quantitative research approach in developing a growth and development model for spaza shops in South African townships reflected a deliberate commitment to systematic data collection, rigorous analysis, and precise numerical measurement (Dani, 2017). Characterized by its focus on numerical data, statistical analysis, and objective measurement of variables, a quantitative approach enables researchers to identify patterns, correlations, and causal relationships within the research context (Brannen, 2017).

For this study, the quantitative approach provided a structured and replicable methodology to explore the complex dynamics of spaza shop operations, market behaviours, and socio-economic factors influencing their growth trajectories (Creswell (2012).

Central to the quantitative research approach was the use of structured surveys, archival data retrieval, and statistical databases to gather empirical data aligned with the study's objectives (Creswell (2012). This involved developing comprehensive survey instruments specifically designed to capture quantitative data across various aspects of spaza shop operations, such as sales volumes, profit margins, inventory turnover rates, market demographics, and expenditure patterns (Rahi, 2017). Furthermore, archival data sources – including financial records, market reports, and governmental databases – were utilised to complement survey data, enhancing the analytical framework with historical trends and contextual insights.

The quantitative research approach also included a systematic sampling strategy to ensure the representativeness and generalisability of findings across various geographic regions, spaza shop types, and socio-economic levels within South African townships (Rahi, 2017). Through purposive sampling, the researchers captured a diverse range of perspectives and experiences, thereby enhancing the robustness and validity of the research outcomes. By adhering to rigorous sampling procedures, the study aimed to minimise sampling bias and strengthen the reliability of statistical inferences drawn from the data (Schiffman & Wisenblit, 2015).

Furthermore, the quantitative research approach enabled the use of advanced statistical techniques – including regression analysis, correlation analysis, and multivariate modelling – to explore relationships between variables and develop predictive models for spaza shop growth and development (Bernard, 2006). By harnessing the power of statistical inference, the researchers uncovered underlying patterns, identified key determinants of success, and formulated evidence-based strategies to optimise resource allocation and stimulate economic growth within the township economy.

The adoption of a quantitative research approach to develop a growth and development model for spaza shops in South African townships reflects a strong commitment to systematic inquiry, empirical rigor, and evidence-based decision-making (Bernard, 2006). By harnessing numerical data, statistical analysis, and robust methodologies, this study generated actionable insights and practical recommendations aimed at enhancing the resilience, sustainability, and prosperity of spaza shops within the township economy ecosystem.

3.4 Research design

This applied research study aimed to develop a growth and development model for spaza shops in South African townships, adopting a descriptive quantitative research design. As Creswell (2012) explains, a descriptive quantitative research design focuses on detailing the characteristics of the phenomenon under study. Here, data collection involved administering surveys to spaza shop owners and managers across various South African townships (Nardi, 2018).

The surveys were designed to capture information on key aspects of spaza shop operations, including sales trends, inventory management practices, customer demographics, and operational challenges. To complement the primary data, secondary sources such as government reports and industry statistics were also utilised. The quantitative nature of the study allowed for the systematic analysis and interpretation of numerical data, providing insights into the current state and potential growth opportunities for spaza shops in South African townships (Neelankavil, 2015).

3.5 Sampling strategy

This research study employed a purposive sampling strategy across five provinces in South Africa. According to Rahi (2017), purposive sampling involves selecting participants based on specific characteristics relevant to the research objectives. In this study, purposive sampling was especially valuable for targeting participants with substantial knowledge and experience in the spaza shop industry (Nardi (2018). By focusing on spaza shop owners and managers actively engaged in daily operations and decision-making, the study ensured that the data collected offered a comprehensive view of the factors influencing growth and development within the sector.

Moreover, purposive sampling allowed for a diverse range of perspectives from various regions and provinces, thereby enhancing the generalisability of the findings across spaza shops in South African townships. This purposive sampling strategy enabled the inclusion of diverse stakeholders, ranging from micro-entrepreneurs and small business owners to local government officials and industry experts.

3.6 Data collection

A diverse array of instruments was employed to gather empirical data, including structured surveys, archival data retrieval, and statistical databases (Neelankavil, 2015). These instruments were carefully designed to capture key information on the socio-economic profiles of township enterprises, their operational challenges, resource access, market dynamics, and perceptions of various growth drivers.

To gather empirical data, spaza shop owners were invited to complete a questionnaire. Of the 500 shops targeted, 196 responded, forming the study's final sample size. Utilising a mixed-method approach, the questionnaire predominantly featured closed-ended questions to streamline administration and data collection, while also including a selection of open-ended questions. Key topics covered included the profile of the spaza shop owner, business details, the current state of spaza shops within the township retail economy, the impact of national retailers entering this market, and issues surrounding the sustainability and development of spaza shops in the townships.

The questionnaire was administered with the assistance of research assistants via telephone. The data were analysed using the Statistical Package for the Social Sciences (SPSS) version 26.0, to assess the significance of the results and to present the findings in tables and figures.

In the 196 spaza shops included in the study, data were collected from 18 townships across five provinces, as follows:

Table 1: Research respondents

Western Cape	**Eastern Cape**	**Free State**	**Gauteng**	**Limpopo**
Khayelitsha	Mdantsane	Mabulela	Atteridgeville	Moletjie
Ndlambe	Port Alfred	Mangaung	Diepsloot	Polokwane
		Mmakwane	Saulsville	Seshego
		Qwaqwa Phuthaditjhaba		Southern Gateway
		Thabong		Westernburg
		Xhariep		

This is a good representation as it provides a diverse view of the situation in the townships.

3.7 Data analysis

A statistician collated all the data and analysed the findings according to each question. Once the questionnaires were completed, the data were collected and coded. Excel spreadsheets served as the primary medium for capturing and organising various types of demographic and other quantitative data in preparation for the subsequent data analysis stage. Some questions were left unanswered by the respondents, and these instances were treated as missing data. A zero value was assigned to represent missing data, and no respondents were excluded from the analysis due to missing responses. Statistical Package for Social Science (SPSS) for statistical analysis provides various options for managing missing data, and the pairwise deletion option was employed for all analysis (Walliman, 2011). This approach allowed for the inclusion of cases in the analysis, provided that all variables being correlated had valid values for that case. If a specific variable had a missing value, the procedure excluded it; however, the case could still be used when analysing other variables that did not have missing values.

The analysis involved computing descriptive statistics to establish the state of readiness to work with or compete against national retailers for market share in the township economy. The descriptive statistics were presented in the form of graphs and tables. Cross-tabulations were performed on some variables to determine the presence, or absence, of relationships between them. The inferential statistic employed was the chi-square test of independence due to the nature of the available data. The chi-square test was used to assess whether there is an association between two variables, that is, whether one variable is independent of the other. For the purposes of the study, a significance level of 5% was used to determine whether there is a significant association between the two variables.

3.8 Chapter summary

In summary, this chapter presents a comprehensive overview of the research methodology and design implemented in this study, elucidating the rationale behind the selection of a quantitative approach and delineating the various methodological components utilised. By adhering to rigorous methodological standards, this research seeks to contribute robust empirical evidence and actionable insights to advance the discourse on township economic transformation in South Africa. The subsequent chapter offers detailed conclusions, recommendations, and theoretical, practical, and policy implications arising from the study. Additionally, the next chapter provides valuable directions for future research.

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CHAPTER 4: RESEARCH FINDINGS AND ANALYSIS

4.1 Key findings

The purpose of this research was to identify and analyse the role and current state of spaza shops within the township retail economy, taking into account the increased presence of national retailers in this market, as well as the sustainability and development of spaza shops in the townships.

The following section outlines the profile of the spaza shop owner respondents:

- ***Geographic distribution:*** *34.7% of the respondents are based in Western Cape (3 townships), 33.2% in the Free State (6 townships), 16.8% in Gauteng (13 townships), 11.7% in Limpopo (5 townships), and 3.6% in the Eastern Cape (1 township).*
- ***Gender:*** *Of the 196 respondents, 27% were female and 73% male.*
    - ***Male Respondents by Province:*** *24.5% in Western Cape, 2% in Eastern Cape, 21.4% in Free State, 16.3% in Gauteng, and 8.7% in Limpopo.*
    - ***Female Respondents by Province:*** *10.2% in Western Cape, 1.5% in Eastern Cape, 11.7% in Free State, 0.5% in Gauteng, and 3.1% in Limpopo.*
- ***Age Distribution:*** *42.9% of respondents were aged 35 years and below, while 57.1% were above 35 (including 17.3% who were over 50 years old).*

The following business information provides insight into the operations of spaza shops:

- ***Employee count:*** *58.2% of respondents have two employees, 23% have three employees, and 18.4% have only one employee.*
- ***Ownership duration:*** *64.8% have owned their spaza shops for over six years, 32.1% for three to five years, and 3.1% for less than three years.*
- ***Reason for starting the business:*** *A majority (55.6%) started their spaza shops due to unemployment, while 35.7% saw a market need and launched their businesses.*

- ***Stock procurement:*** *Currently, 96.9% of spaza shops purchase stock from wholesalers, with 33.8% buying from Boxer and 13.3% from Shoprite.*

- ***Profit trends:*** *Over the past three years, 67.7% of businesses experienced profit declines, 24.6% saw no change, and 7.7% reported profit growth.*

- ***Marketing strategies:*** *67.2% of spaza shops do not market their businesses. Among those that do, 24.1% use social media, 23.1% rely on word of mouth, and 13.8% engage in personal selling.*

- ***Awareness of national retail outlets:*** *99% of respondents are aware of national retail outlets in their townships, with brand awareness levels for Shoprite (89.7%), Boxer (33.8%), Pick n Pay (33.8%), U-Save (14.9%), and Cambridge (13.8%).*

The key findings regarding spaza shop operations amid the growing presence of national retailers in townships are discussed below.

Business information

Most spaza shops experienced a decline in profits over the past three years (Table 2). The primary reasons cited for this decline include a struggling economy (64.1%), increased unemployment (57.9%), and high competition among spaza shops (60%). Respondents who reported stable profits identified these same factors as challenges affecting their business.

Table 2: Business profit growth over 3 years and reasons associated

Reasons		Business profit growth			Total
		It grew	It declined	It stayed the same	
More people unemployed	n	1	113	35	149
	%	0.5%	57.9%	17.9%	76.4%
Economy is bad	n	1	125	42	168
	%	0.5%	64.1%	21.5%	86.2%
Too much competition	n	2	117	38	157
	%	1.0%	60.0%	19.5%	80.5%
I improved my marketing	n	4	0	0	4
	%	2.1%	0.0%	0.0%	2.1%
Cost saving measures	n	10	2	2	14
	%	5.1%	1.0%	1.0%	7.2%
Other*	n	0	1	1	2
	%	0.0%	0.5%	0.5%	1.0%
Total	n	15	132	48	195
	%	7.7%	67.7%	24.6%	100.0%

Further analysis revealed an association between business profit growth and the duration of business operation. Among spaza shops that have been in business for over six years, 46.7% experienced a decline in profits over the past three years, 13.3% saw no change, and 5.1% reported profit growth. The chi-square test shows a significant association between tenure and business profit growth, with a p-value of 0.

Table 3: Tenure and business profit growth

Tenure		Business profit growth (Q22)		
		It grew	It declined	It stayed the same
0-2 years	n	3	0	2
	%	1,5%	0,0%	1,0%
3-5 years	n	2	41	20
	%	1,0%	21,0%	10,3%
6+ years	n	10	91	26
	%	5,1%	46,7%	13,3%
	Value	df	p-value	
Chi-Square Test statistic		25.872	4	0,000

Biggest challenges facing spaza shops in the townships

The key challenges faced by spaza shops within townships are outlined below. The majority of respondents identified crime (85.2%), excessive competition (75.5%), load shedding (73.5%), lack of government support (68.9%), inadequate infrastructure (51%), and unemployment (47.4%) as the most significant issues impacting their businesses.

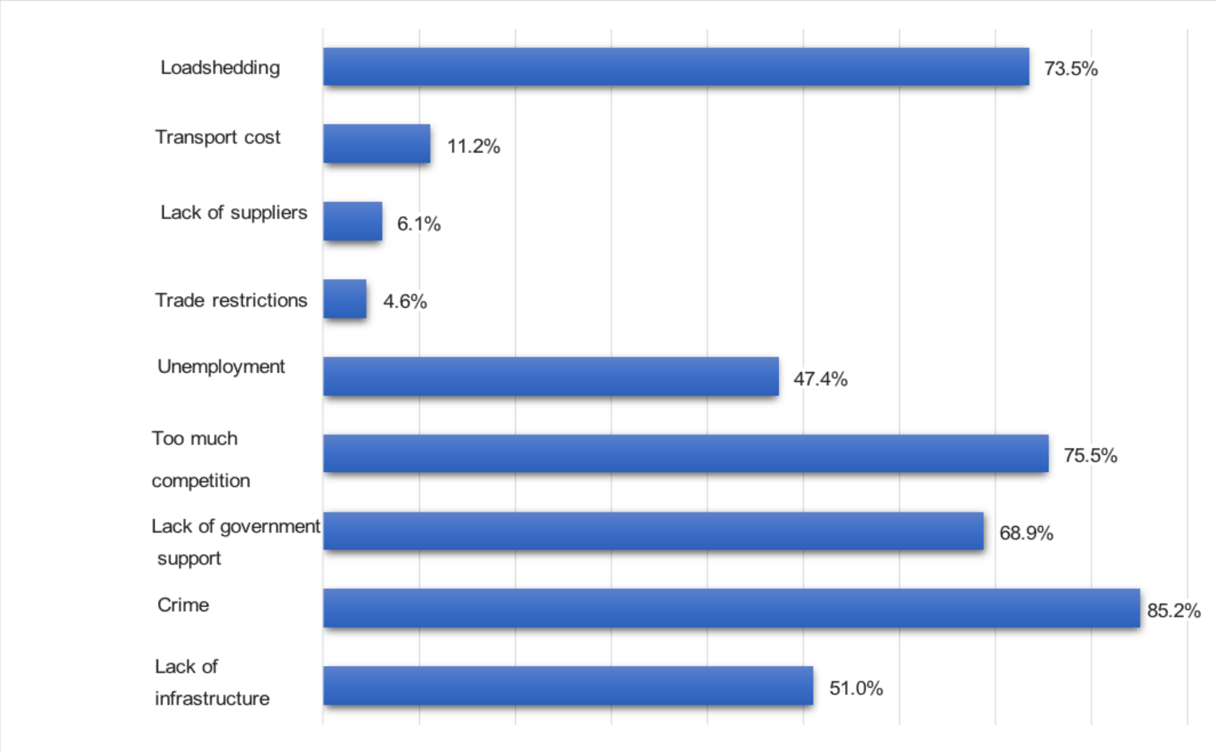


Figure 5: Biggest challenges facing spaza shops in the townships

In order of importance, crime ranks as the top challenge, with 85.2% of respondents identifying it as the most critical issue. Excessive competition follows, cited by 75.5% as the second most significant challenge, while load shedding (73.5%) ranks third. Additionally, 68.9% of respondents highlighted the lack of government support as a major constraint, and 51% pointed to inadequate infrastructure as a pressing concern.

When asked about the source of their biggest competition, the majority (87.8%) indicated that other spaza shops within the township pose the greatest competitive threat. This finding suggests concerns about customer distribution and market saturation, as it implies that the local market may be becoming over-saturated with an increasing number of spaza shops competing within a limited trading area.

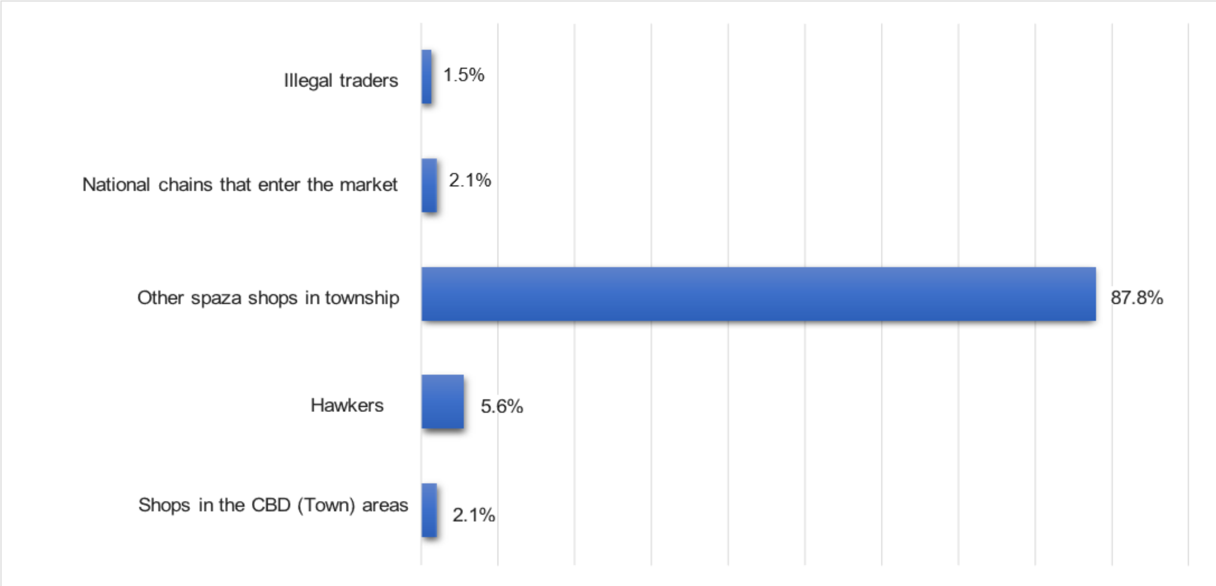


Figure 6: Biggest competition in the townships

Respondents proposed several solutions to address the challenges they face as spaza shop owners, with the majority emphasizing the need for government intervention. Key recommendations included government efforts to combat crime (30.1%), support through general intervention (21.4%), stopping load shedding (13.3%), enhancing security for spaza shops (5.1%), providing skills development and training (6.1%), subsidising spaza shops (3.6%), providing business resources (2.6%), and improving infrastructure (2%). Additional suggestions included reducing stock and product prices (9.2%) and limiting national brands in townships (4.6%). These findings underscore the crucial role government intervention could play in addressing the primary challenges faced by spaza shops in townships.

Table 4: Solutions proposed

	n	%
Government can support small businesses by providing skills development and training	12	6.1%
Government intervention/support	42	21.4 %
Government to help fight crime	59	30.1 %
Government must improve the economy and create employment	2	1.0%
Government must provide security/protection for spaza shops and police to improve on law enforcement	10	5.1%
Government must subsidise spaza shops	7	3.6%
Government and private companies must support spaza shops with business resources	5	2.6%
Provide us with infrastructure	4	2.0%
Reduce prices for stock and other products and also fight inflation	18	9.2%
Remove national brands from township	9	4.6%
Stop load shedding	26	13.3 %
The government must protect spaza shops	4	2.0%
Other (Sell different products + Stop corruption by government)	2	1.0%

Sustainability of township business

A noteworthy finding is that a large number of spaza shops (78.6%) believe that the township they operate in is large enough to sustain their business.

Table 5: Township big enough to sustain (make enough money) the business

	Reason	n	%
Yes	**Nothing**	2	1.0%
	That is why we started here	1	0.5%
	The location is small	1	0.5%
	The township is big	5	2.6%
	There are many people in the townships, and they are able to buy from spaza shops	143	73.7%
	Too many competitors	2	1.0%
No	**The location is small**	1	0.5%
	Too many competitors	23	11.9%

The primary reason spaza shop owners believe the township market is sufficient to sustain their businesses is the high population density, which they feel provides the necessary buying power to support spaza shops (73.7%). This suggests a substantial customer base with significant market potential. However, 11.9% of respondents expressed doubts about their township's ability to sustain their business due to intense competition.

Additionally, 83.1% of respondents felt that township businesses should focus exclusively on township markets, 7.2% suggested focusing outside the township, and 9.7% supported targeting both within and outside the township. Among those advocating a township-only focus, 48.7% cited the large customer volume, while 12.8% saw no need to expand beyond current locations. This reflects a general reluctance among spaza shop owners to relocate or expand, though 7.2% are open to growing their businesses by capturing more market share and thereby increasing sales and revenue.

Table 6: Township businesses focus only on the township or also securing business elsewhere

	Reason	n	%
Only in township	I have no money to start elsewhere	10	5.1%
	It's the same challenges everywhere	12	6.2%
	Moving to new areas is risky	1	0.5%
	Places like town are very expensive	6	3.1%
	The market is large enough (i.e., there are many customers)	95	48.7 %
	There is no need to move	25	12.8 %
	To grow/expand the business by getting more customers, increasing sales and revenue	5	2.6%
Elsewhere	It's the same challenges everywhere	1	0.5%
	Maybe other areas are better	4	2.1%
	The market is large enough (i.e., there are many customers)	1	0.5%
	There are too many spaza shops around	2	1.0%
	To grow/expand the business by getting more customers, increasing sales and revenue	6	3.1%
Both	Maybe other areas are better	1	0.5%
	The market is large enough (i.e., there are many customers)	2	1.0%
	There are too many spaza shops around	1	0.5%
	To grow/expand the business by getting more customers, increasing sales and revenue	14	7.2%

The majority of spaza shop owners (96.9%) envision staying in their current businesses for the next three to five years, while only 3.1% do not. This indicates a strong confidence in the potential and sustainability of their enterprises. Many respondents attribute this commitment to the convenience their locations offer the local community (36.1%) and the value spaza shops provide to the community (18%).

Table 7: Remaining within the current business or still be in business for the next 3 to 5 years

	Reason	n	%
Yes	**For the business to extend**	1	0.5%
	I have loyal customers who will always come and buy from me	10	5.2%
	I've been in the business for long time	11	5.7%
	It is convenient for community to buy from spaza shops because they are closer	70	36.1 %
	My business is doing well/surviving and making a profit	29	14.9 %
	No need to move	2	1.0%
	Spaza shops are useful and important to the community	35	18.0 %
	The business is making enough money	1	0.5%
	The market is big enough	3	1.5%
	The spaza shop is my only source of my income	15	7.7%
	We will survive	5	2.6%
	Will keep fighting	1	0.5%
No	**The business is struggling (losing customers, decreasing sales and revenue)**	5	2.6%
	There is too much competition	1	0.5%

When asked what type of business they would start if they had to change, 15.8% of spaza shop owners indicated they would enter the clothing industry, perceiving it as more profitable. Another 11.7% preferred the hardware industry due to its larger customer base and higher earnings, while 10.2% expressed interest in the fast food sector, noting its quick sales turnover and consistent demand, as people purchase food daily. Other business preferences included accommodation, seen as more stable; supermarkets and restaurants, which attract more customers and generate higher revenue; manufacturing, with an aim to supply retailers; alcohol sales, perceived as profitable with steady demand; and shisanyama, due to the high demand for braaied meat.

National retailers

Regarding awareness of national brands, 99% of respondents indicated that they are aware of national retail outlets operating in their township. Among those, 89.7% specifically identified Shoprite, while 33.8% recognized Boxer and Pick ‘n Pay. Additionally, some spaza shop owners noted U-Save (14.9%) and Cambridge (13.8%) as brands currently operating within the township market.

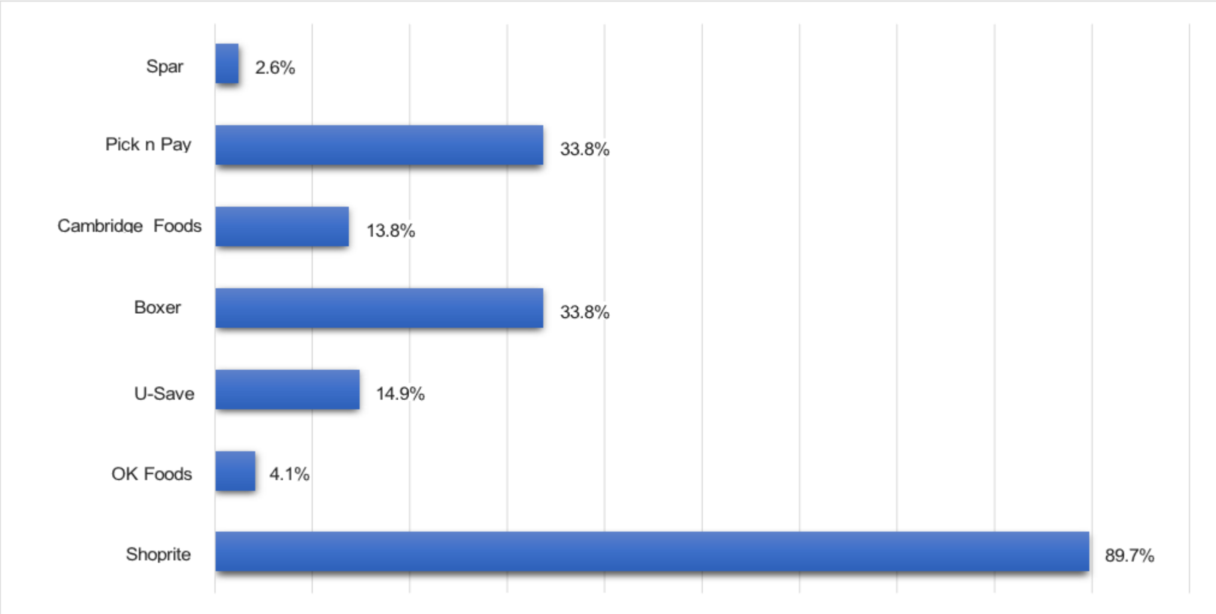


Figure 7: Brands currently operating in the townships

A concerning finding is that 68% of spaza shop owners reported that national retailers are drawing customers away from their businesses, while 17.1% indicated that these retailers are only impacting customer numbers on selected items.

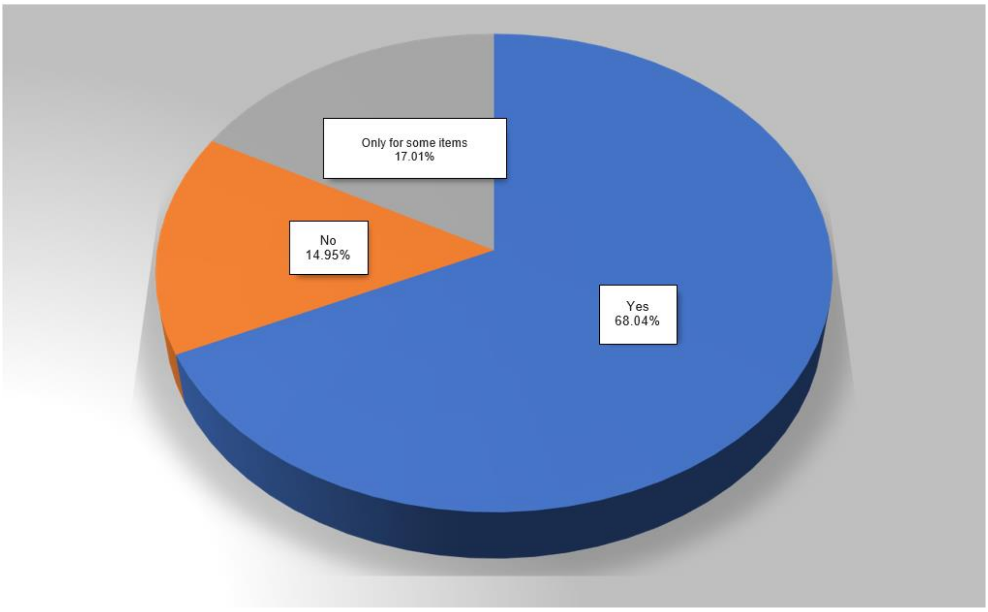


Figure 8: Are these retailers drawing away customers from the spaza shop?

Since national brands entered the township market, 88.7% of respondents reported a decline in sales, market share, or profits. Among them, 46.4% specifically noted a drop in sales, and 24.2% observed that customers are increasingly purchasing from large retailers.

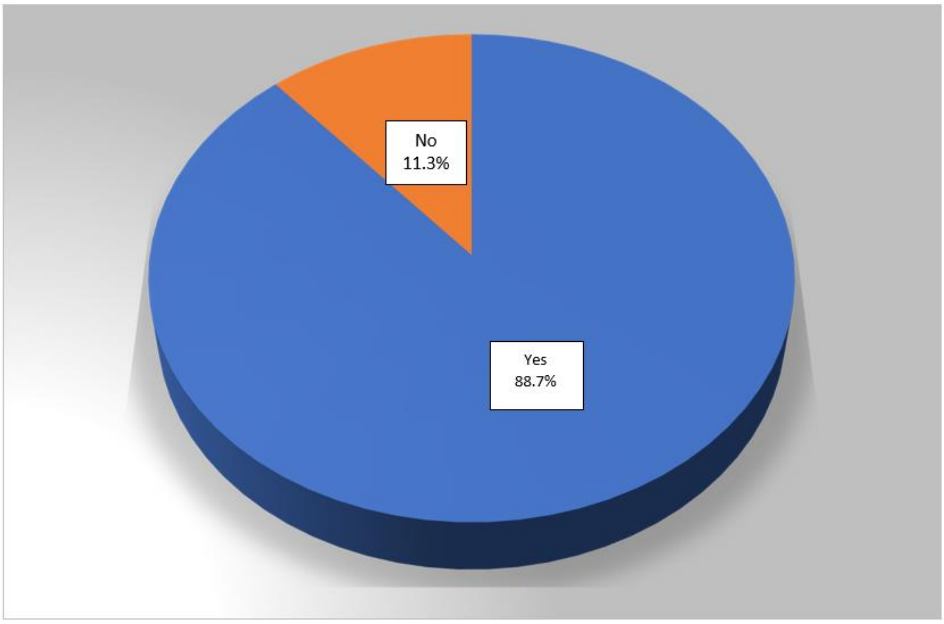


Figure 9: Lost sales/market share/profits

Although there is a generally negative outlook toward national brands entering townships, as they are seen to adversely impact the operations of most spaza shops, there is also significant openness among spaza shop owners to potential collaboration. Nearly all respondents (94.3%) indicated a willingness to work with a national brand if given the choice, suggesting opportunities for partnerships that could enhance sustainability and profitability in township markets. Additionally, 93.3% believe they could work effectively alongside a national brand.

The main reasons for considering collaboration include the potential for national brands to help spaza shops procure inventory at more competitive prices (41.8%) and provide support through training, skills development, mentorship, and market exposure (20.6%). Conversely, 5.7% of respondents would not consider such partnerships, preferring to work independently or expressing concerns that national brands might eventually dominate or take over their businesses.

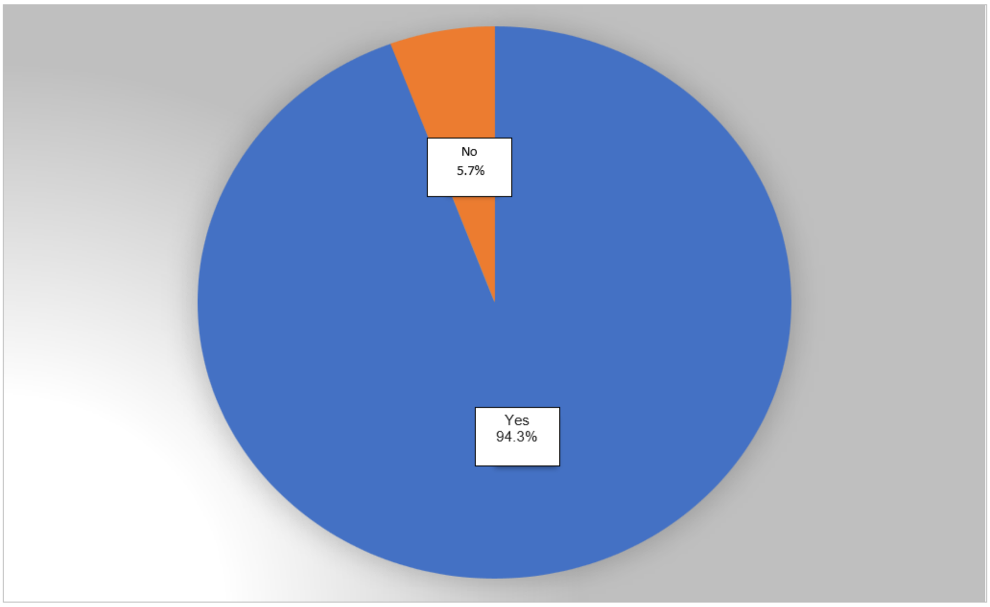


Figure 10: Working with a national brand in terms of aspects of your business

Shoprite emerged as the most preferred national brand for collaboration, with 91.8% of spaza shop owners expressing a willingness to work with the brand. This was followed by Pick n Pay, preferred by 31.1%, and Boxer, chosen by 24.5% of respondents.

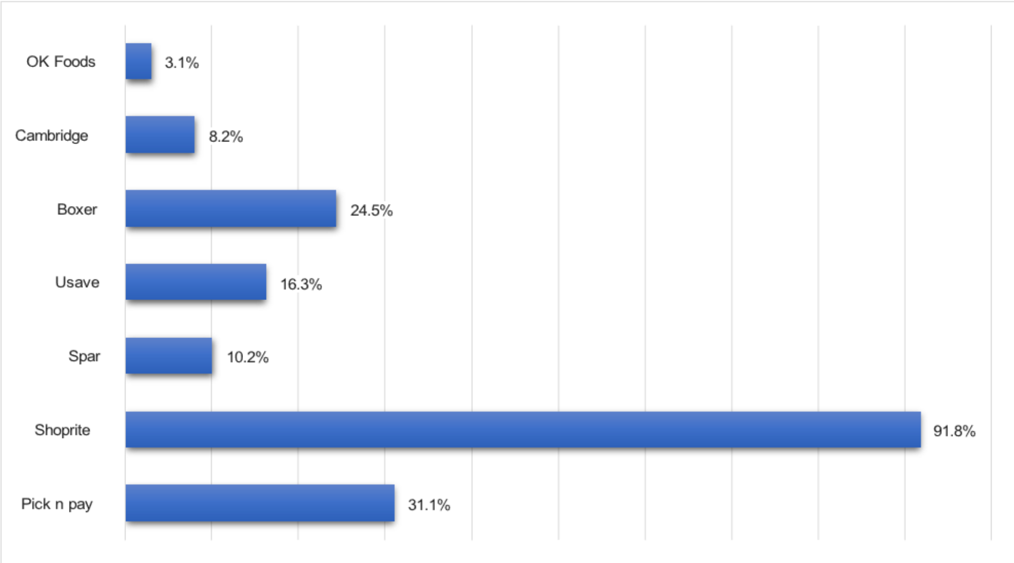


Figure 11: Preferred national brands to work with

The main areas of collaboration that respondents are interested in with national brands include large brands supplying inventory to spaza shops (93.9%), pricing (73%), marketing advice (35.7%), and management structure and systems (35.2%). Regarding additional support from national brands, 21.4% of spaza shops expect to receive equipment, 18.9% expect support for stock delivery, and 12.2% of respondents would like access to a container that could be used for storage or as additional trading space.

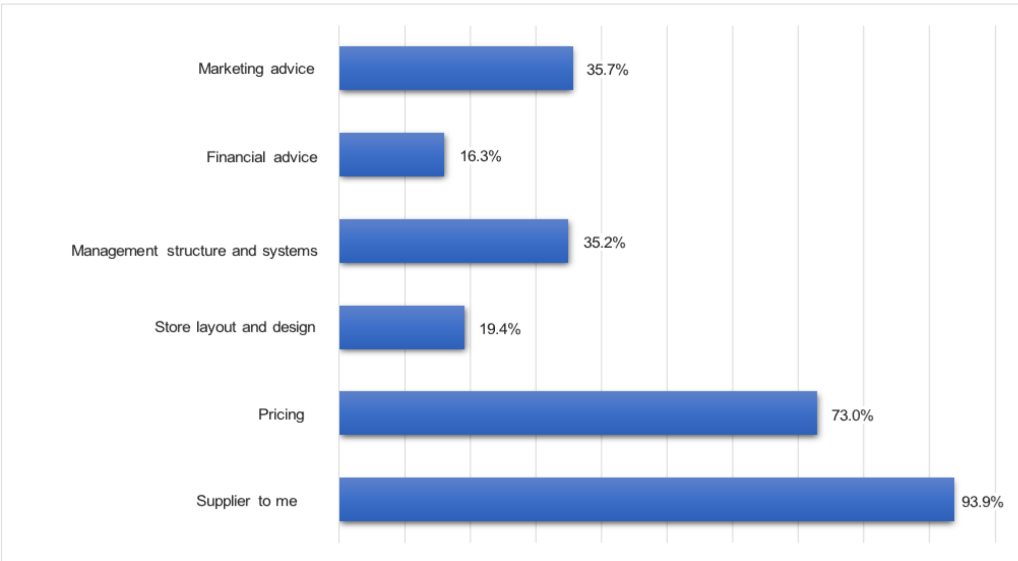


Figure 12: Areas to work in conjunction with national brands

Another positive factor is that many spaza shop owners (92.3%) indicated that the future sustainability of spaza shops is not under threat regarding their market presence within townships. This is mainly due to their loyal customer base, which provides continued support through repeat purchases (49%). Additionally, spaza shops are conveniently located (18.4%) and are considered important and useful to the community (17.9%). This can be regarded as a positive indicator that the spaza shop format will continue to co-exist and remain sustainable. Spaza shop owners are confident that they still have a future within townships, despite the growing presence of national retailers.

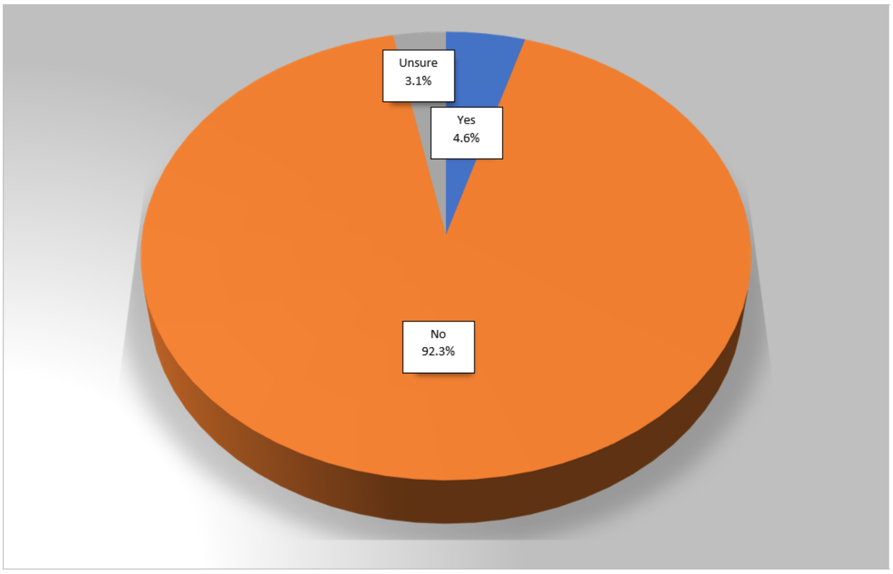


Figure 13: The success and future of spaza shops in danger of being shut out of townships

Possible ways to improve the situation for spaza shops, as suggested by the respondents (spaza shop owners), include government support (28.1%), funding from government and/or private companies (15.8%), and subsidies for spaza shops from the government (13.8%). All the suggestions indicate a need for some form of government intervention, including funding, subsidies, training, and business resources.

Table 8: Suggestions to improve the situation for spaza shops in the townships

	n	%
Funding spaza shops by government and/or private companies	31	15.8%
Government and private companies need to support small businesses	26	13.3%
Government to support spaza shops with training and business resources	13	6.6%
Subsidy to spaza shops by the government	27	13.8%
Support by the government	55	28.1%

State of readiness to work or compete with national retailers

A concerning finding is that 86.7% of respondents believe they are unable to compete against national branded stores, with 61.2% attributing this mainly to the significantly larger size of national brands compared to spaza shops, while 14.8% state it is due to a lack of capacity and resources in spaza shops. Moreover, 11.2% of spaza shop owners believe they can compete with national brand stores, with 6.6% citing convenience for customers, as spaza shops are closer to them.

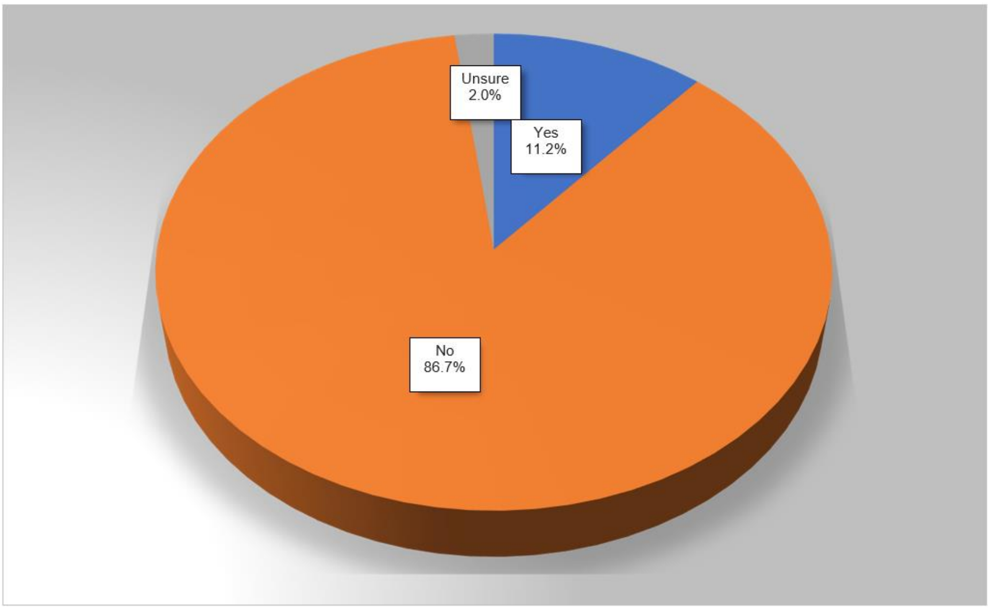


Figure 14: Spaza shops competing against national brand stores

Further analysis of the readiness of spaza shops to work with or compete against national retailers reveals the following:

- ***Operational processes and pricing:*** *National brands are perceived to have a significant advantage over spaza shops in operational efficiency, with respondents noting that national brands offer lower prices and possess stronger management capabilities. This is underscored by 61.2% of spaza shop owners stating they cannot compete with national brands on price. The rising competition from national retailers thus presents a substantial threat to spaza shops regarding pricing and store management.*

- ***Merchandise quality:*** *A positive finding is that respondents believe the quality of merchandise sold by national retailers is not significantly superior to that of spaza shops. Given that township customers value quality, this aspect is potentially favourable for spaza shops.*
- **Competitive advantages:** Most respondents feel their businesses can effectively compete with national brands based on convenience of location (89.8%), extended shopping hours (92.3%), and comparable merchandise quality (80.1%). These strengths indicate that, despite the challenges posed by national retailers, spaza shop owners are confident in their ability to compete effectively based on convenience, availability, and product quality.

- ***Survival and sustainability:*** *There is optimism among spaza shop owners about their long-term survival, as many respondents believe spaza shops provide a better level of service than national brands. However, over 80% of respondents acknowledge that national brands pose a significant threat, with customers more likely to choose a national retailer over a spaza shop. These results highlight the competitive pressure and challenges spaza shops face due to the presence of national brands in townships.*

- ***Interest in collaboration:*** *A majority of respondents expressed an interest in collaborating with national brands to source more competitive prices, delivery services, and potentially serve as independent outlets for these brands. While there is openness to collaboration, over half of respondents prefer to maintain some independence, notably in areas such as mentorship and direct stock procurement from national brands in townships.*

- ***Areas for partnership:*** *Many spaza shop owners are interested in leveraging* *national brand support to source inventory at more competitive prices and in exploring joint ventures on pricing and stock delivery. However, the majority do not favour working with national brands on management, procurement, and advertising, indicating a preference for operational independence. This suggests a potential lack of trust, which could be an area for further exploration to establish mutually beneficial partnerships between spaza shops and national retailers.*

- ***Government Support and Intervention:*** *Spaza shop owners expect government support to focus on upgrading township facilities for spaza shops and moderating the number of national brand outlets in townships. However, around 60% of respondents do not support restrictions preventing national brands from opening outlets or legislation compelling national brands to mentor spaza shops. This implies that most spaza shop owners are open to national retailers in township markets and are not in favour of restrictive trade policies against them.*

- ***Market saturation and brand presence:*** *The majority of respondents (87.2%) strongly agree that there are too many spaza shops operating in township markets, yet 54.1% believe there are not too many national retail outlets in townships. Additionally, 63.6% of respondents disagree that the entry of national brands will lead to the demise of spaza shops, and 67.7% express trust in national brands in townships. This level of trust suggests a reasonable foundation for potential collaboration between spaza shops and national retailers.*

- *Overall, the majority of respondents (over 50%) disagree that there are too many national retail outlets operating within townships. Instead, they believe the township market is oversaturated with spaza shops, with 87.2% strongly agreeing. Additionally, 63.6% of spaza shop owners strongly disagree that the entry of national brands into townships will lead to the eradication of spaza shops in the market. Furthermore, 67.7% of respondents disagree with the notion that there is a lack of trust in national brands within townships. This suggests that a level of trust does exist, providing a reasonable basis for potential collaborations between spaza shops and national retailers.*

Growth and sustainability of spaza shops in the townships

The following insights reflect respondents' views on factors important for the growth and sustainability of spaza shops:

- ***Branding and partnerships:*** *Branding spaza shops alongside national brands is considered moderately important by 67.7% of respondents, while rebranding spaza shops as national brand outlets is slightly more important at 73.4%. However, 42.3% of respondents believe that cooperative agreements with national brands are not important at all.*

- ***Regulating national brands' presence:*** *Controlling the presence of national brands in townships is viewed as essential, with 84.3% of respondents considering it very important to legally limit the number of national brands. Additionally, 73.8% find it very important to allocate designated trading areas for national brands in townships. While 59.2% believe that designating areas for a specific number of spaza shops is moderately important, 59.7% feel similarly about restricting the number of national brands. Only 24% of respondents consider keeping national brands out of townships entirely as very important.*

- ***Training and skill development:*** *Most respondents view shared training resources and staff development in areas like customer service, management, and financial skills as moderately to very important for spaza shop sustainability.*

- ***Support for enhanced operations:*** *Over three-quarters of respondents (75%) consider it very important for spaza shops to receive preferential procurement pricing when sourcing from national brands, with 74.9% agreeing. Additionally, 80.6% regard subsidized delivery from national brands as important, and 89% see improved operational facilities for spaza shops as essential. Further, 89% of respondents highlight that reducing unemployment and improving township safety are critical factors for business sustainability, reinforcing the need for governmental and private sector support for township spaza shops.*

- ***Community support:*** *Support from township residents is also crucial, with 79.2% of respondents emphasising the importance of building stakeholder trust in spaza shops. Furthermore, 93.7% believe it is very important to encourage township residents to support local spaza shops.*

Best opportunities for spaza shops’ survival in the medium term

The respondents identified several key opportunities that could enhance the survival of spaza shops:

- *Government support: A significant majority (95.8%) of respondents indicated that increased government support is essential for spaza shops' survival.*

- *Security and safety: Improving security and safety to ensure customers feel safe when shopping at spaza shops is also highly prioritised, with 81.1% of respondents supporting this measure.*

- *Township facilities: Improving township facilities is considered important by 64.2% of respondents, which could enhance the appeal and functionality of spaza shops.*

- *Collaboration and skill development: Working cooperatively with national brands (67.4%) and improving management skills (64.2%) are viewed as moderately important to strengthen the operational capacity of spaza shops.*

- *Regulatory flexibility: Reducing trade restrictions – such as health and safety standards, minimum wage, working hours, and tax regulations – is considered moderately important by 58.4% of respondents, as this flexibility could ease operational burdens on spaza shop owners.*

- *Trust in spaza shops: Growth in public trust toward spaza shops is seen as somewhat necessary, with 52.6% of respondents indicating this as a factor.*

- *Conversely, 67.9% of respondents consider the decrease in spaza shops within townships, due to closures, as not an important concern.*

Table 9: Best opportunities for spaza shops survival in the medium

		Not important at all	Slightly important	Moderately important	Very important
The market is expanding due to more people moving into the township	n	49	71	22	48
	%	25.8 %	37.4 %	11.6 %	25.3 %
There is a growth in trust of spaza shops	n	37	100	16	37
	%	19.5 %	52.6 %	8.4%	19.5 %
There are less shops due to shops closing down	n	129	39	17	5
	%	67.9 %	20.5 %	8.9%	2.6%
Improving facilities in townships	n	2	3	63	122
	%	1.1%	1.6%	33.2 %	64.2 %
Improving security and safety so customers can feel save to buy from the spaza shop	n	0	0	36	154
	%	0.0%	0.0%	18.9 %	81.1 %
Working in cooperation with national brands	n	0	4	128	58
	%	0.0%	2.1%	67.4 %	30.5 %
By improving management skills	n	0	2	122	66
	%	0.0%	1.1%	64.2 %	34.7 %
Less restrictions on trade e.g. Health and safety, minimum wage, working hours, tax regulations	n	1	0	111	78
	%	0.5%	0.0%	58.4 %	41.1 %
More government support	n	1	1	6	182
	%	0.5%	0.5%	3.2%	95.8 %

4.2 Conclusion

Research findings highlight the sustainability and development of spaza shops in the townships amidst the increased presence of national retailers in the township market. There is general positivity among spaza shop owners that their businesses are not in any immediate danger of being placed in compromised trading positions within this market, and there is optimism that the township market in which they operate is substantial enough to sustain their businesses. Additionally, there is evidence of a strong entrepreneurial spirit and overall confidence that these businesses will continue to exist and serve their communities in the near future.

However, township businesses face several challenges, including crime, competition, load shedding, lack of governmental support, poor infrastructure, and rising unemployment. Over the past three years, numerous spaza shops have experienced declining profits mainly due to these challenges. For township businesses to survive, succeed, and be profitable, more significant efforts are required from the government, private companies, spaza shops, and national retailers. Proposed solutions for these challenges include government intervention to combat crime, reduce and eliminate load shedding, provide skills development and training support, improve infrastructure, and subsidise spaza shops. These findings underscore the critical role of government in addressing the challenges faced by spaza shops within townships.

The prominent national retailers operating within township markets are Shoprite, Boxer, Pick ‘n Pay, U-Save, and Cambridge. Although spaza shops are aware of the presence of these national retailers in the township, there seems to be a gap between the operations of spaza shops and those of national retailers. The majority of township businesses do not believe they can compete against the national brand stores. National retailers are attracting some customers away from their businesses, and when national brands began entering the township market, spaza shops lost sales, market share, and profits. The prevalence of national brands in townships has raised concerns, as their impact on the majority of spaza shops has been detrimental.

An encouraging finding is that most spaza shop owners are willing to collaborate with national brands when the opportunity arises. Remarkably, the quality of national brand stock is not superior to that of spaza shops, which aligns well with customer preferences for better quality products. Despite the competitive threat posed by national brands in townships, respondents expressed confidence in their ability to compete against them within their respective trading areas, specifically based on convenience, shopping hours, and quality. This positive outlook could pave the way for the continued sustainability and profitability of spaza shops within townships. The reasons for considering collaboration with national brands include the potential for training, skills development, mentorship, market exposure, and procurement efficiencies regarding inventory purchasing.

Potential areas of collaboration with national brands include establishing supplier relationships, pricing strategies, acting as an independent outlet for national brands, marketing advice, management support, and systems. Spaza shop owners predominantly prefer independence concerning their advertising, management, and procurement functions, possibly indicating a lack of trust between spaza shops and national retailers.

Spaza shop owners have proposed several areas of development that could enhance the situation for township businesses, namely: governmental support, funding from government and/or private companies, and the unlikely prospect of governmental subsidies for spaza shops. Overall, these suggestions highlight the need for government intervention, financial assistance, subsidies, and training resources. Additionally, spaza shop owners require support from township residents, emphasising the importance of building trust among all interested stakeholders and spaza shops. These findings further underscore the need for government and private sector support to enhance the sustainability of spaza shops within townships.

4.3 Recommendations

In the findings section, several conclusions and recommendations were drawn based on responses from spaza shop owners in various townships. A significant finding is that township businesses face numerous challenges, such as rising criminality, load shedding, high levels of competition, and a lack of infrastructure.

The overarching strategy to address many of these challenges is to channel the micro-economy of the township into the local mainstream economy. Local governmental agencies and municipalities will play a fundamental role in facilitating this process.

A recommended solution to the challenges of criminality and poor infrastructure is for spaza shops to engage with local municipalities using a unified and amplified voice. By collaborating to address issues like poor infrastructure, which is closely related to community well-being, the spaza shop fraternity can help build goodwill.

The formal brick-and-mortar retail sector has absorbed online shopping and mobile commerce into its operations. The rapid adoption of mobile commerce presents a strategic opportunity for township spaza stores, particularly in areas of payment and e-retail, and this should be aggressively pursued to increase adoption.

Inflationary pressures continue to impact the disposable income of consumers across all sectors of the economy, with an even greater effect in the township economy. Spaza shop owners should focus on alleviating the strain on disposable income by introducing more affordable purchasing options into their product ranges. This could include reducing package quantities, possibly through repackaging, to offer township consumers more economical options. Load shedding has further pressured local township consumers by limiting their ability to refrigerate perishable items consistently; hence, there is also a need to reduce purchase quantities to minimise spoilage at home.

Alongside providing township consumers with more affordable options, it is crucial to enhance the trust relationship between local consumers and spaza store owners. This can be achieved by increasing the value offering, being more conscious of product use-by dates, and improving customer service. It is essential to acknowledge the critical role played by township residents in the growth and sustainability of township businesses and to encourage them to actively support spaza shops.

Spaza shops need to collaborate more formally, either by increasing order quantities with shared suppliers or by sharing costs related to supplier deliveries, particularly transportation expenses. Generally, enhancing collaborative relationships between spaza shop networks and large suppliers should be more structured and formalised, as reciprocal relationships are mutually beneficial. Spaza shops should intentionally work with national retailers and suppliers in their townships on supply and delivery of stock, uniform pricing, marketing efforts, and management systems.

The main recommendations highlighted are aimed at addressing the challenges faced by spaza shop owners to ensure that they can remain profitable and sustainable. Local government interventions and support include providing funding, infrastructure, business resources, skills development, and training. With a focused effort to address these challenges, spaza shops would have a chance to survive, grow, and compete successfully against national brands.

Township businesses have an opportunity for improvement by exploring ways for spaza shop owners and national retailers to fully collaborate and enhance business performance. The government is encouraged to assume the pivotal role of coordinator and facilitator between township businesses and national brands, as well as between township businesses and residents.

There is significant potential to overcome these challenges and foster growth and sustainability in township businesses, as these enterprises are eager to collaborate with national brands and possess the entrepreneurial drive and spirit to succeed.

APPENDICES

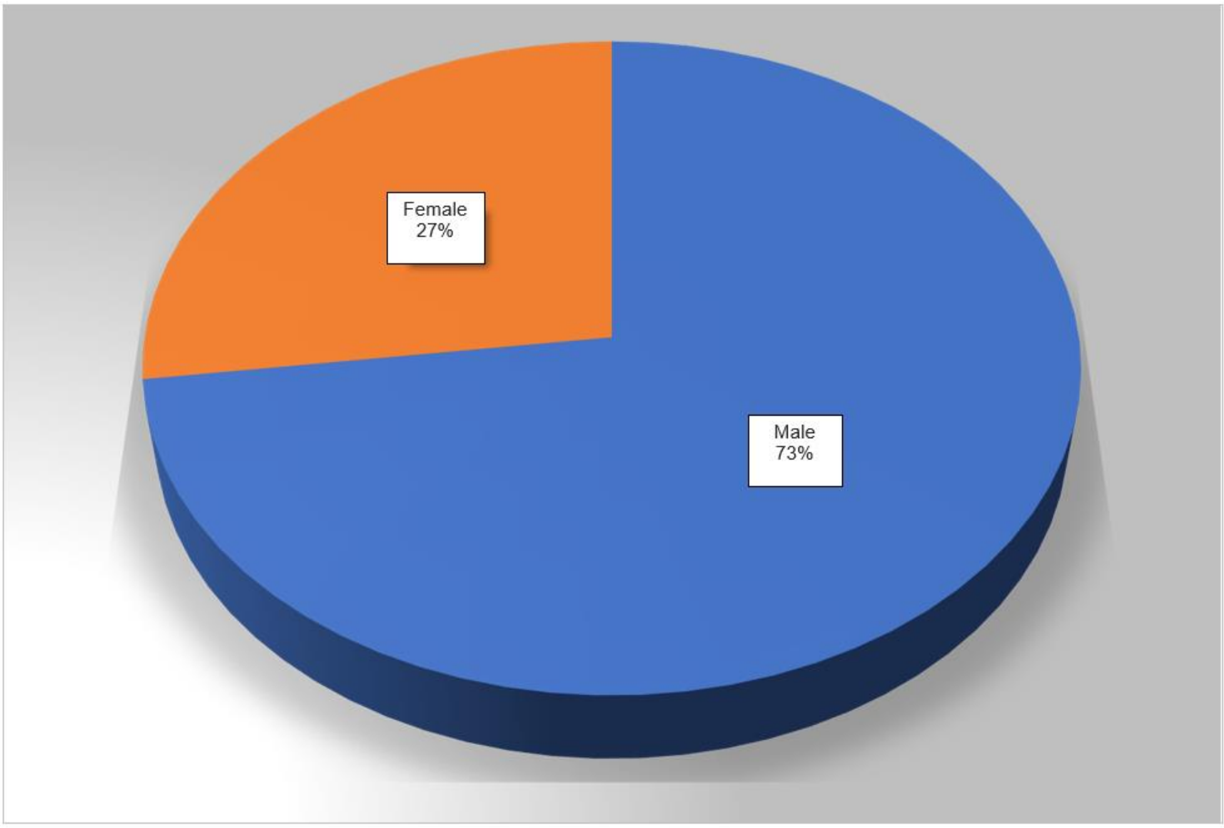
APPENDIX – RESEARCH FINDINGS

(Detailed with all questions and responses)

Demographics of township owners

The study used frequency distributions to present the data and get a bigger picture of the data. A total of 196 respondents completed the questionnaire with 27% being female and 73% being male (Figure 1).

Figure 1: Gender



Out of the 196 respondents, 4.6% were aged 18 – 25 years, 12.8% were aged 26 – 30 years, 25.5% were aged 31 – 35 years, 23.5% were aged 36 – 40 years, 16.3% were aged 41 – 50 years, 16.8% were aged 51 – 60 years, 0.5% of the respondents were older than 60 (Figure 2).

Figure 2: Age

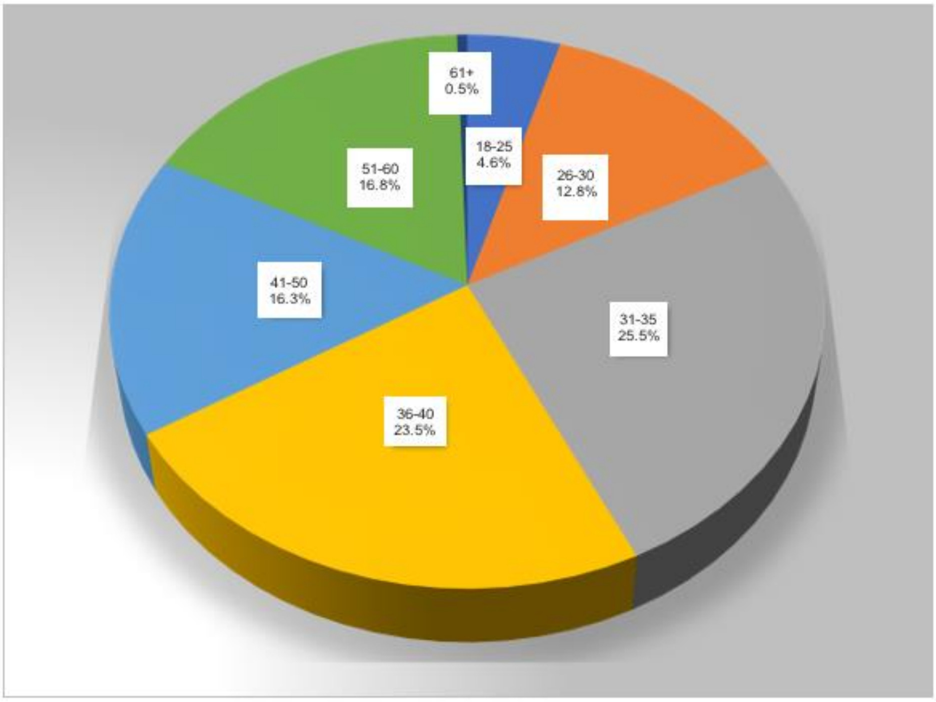
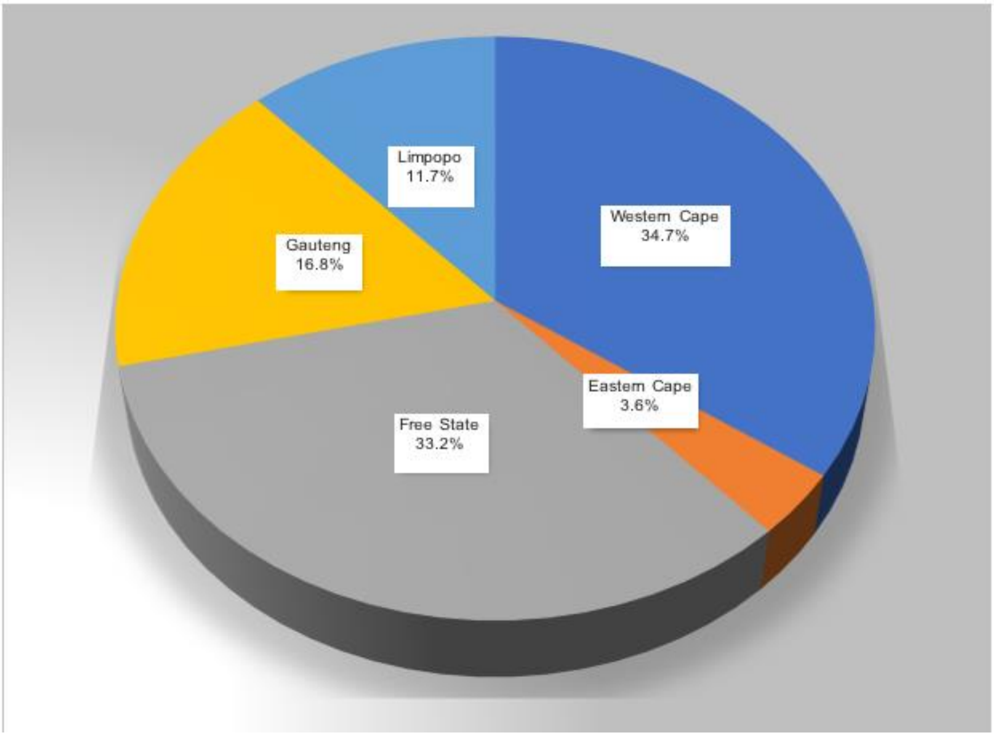


Table 1: Spaza shops related information

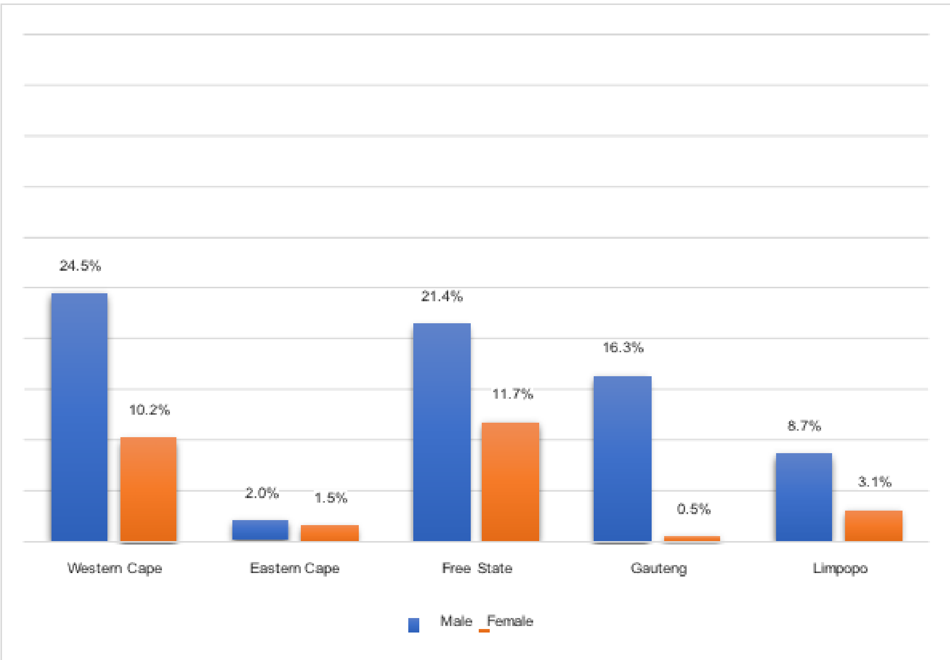
Variables		n	%
Province	Western Cape	68	34.7%
	Eastern Cape	7	3.6%
	Free State	65	33.2%
	Gauteng	33	16.8%
	Limpopo	23	11.7%
Number of employees	1	36	18.4%
	2	114	58.2%
	3	45	23.0%
	6	1	0.5%
How long have you owned a spaza shop?	0-2 years	6	3.1%
	3-5 years	63	32.1%
	6+ years	127	64.8%
What was the main reason for starting the spaza?	My parents started it, and I took over	15	7.7%
	I was unemployed	109	55.6%
	Saw a need in the market	70	35.7%
	Other	2	1.0%

Figure 3: Province



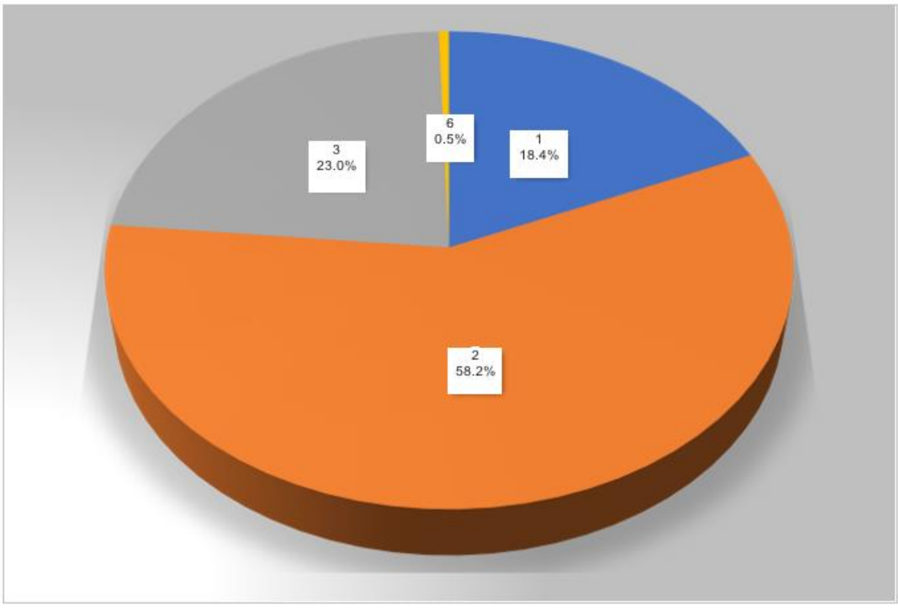
34.7% of the respondents are based in Western Cape, 33.2% in Free State, 16.8% in Gauteng, 11.7% in Limpopo, and 3.6% in the Eastern Cape.

Figure 4: Province and Gender



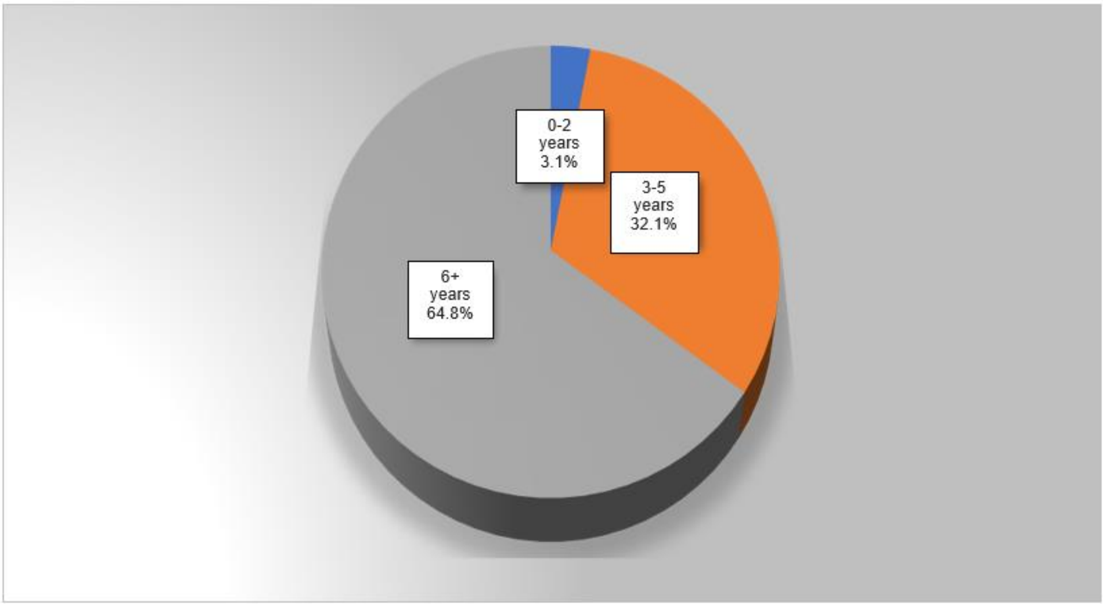
24.5% of the respondents are males based in the Western Cape, 21.4% are males based in the Free state, 16.3% are males based in Gauteng and 8.7% of the respondents are males based in Limpopo.

Figure 5: Number of employees



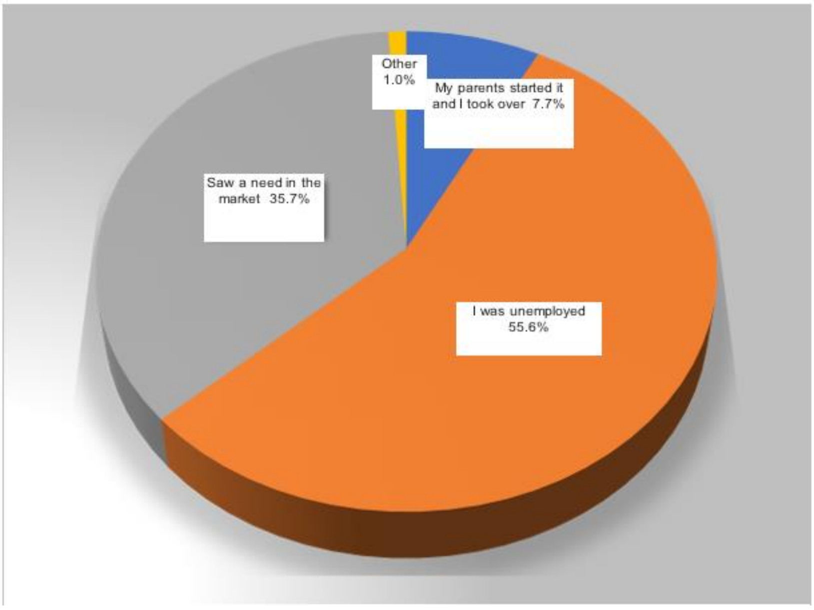
In addition, 58.2% of the spaza owners have two employees, 23% have three employees while 18.4% only have one employee.

Figure 6: Length of spaza ownership - How long have you owned a spaza shop?



64.8% of the respondents have owned a spaza for over 6 years, 32.1% have owned a spaza shop for 3 to 5 years, while 3.1% have owned a spaza for less than 3 years. Figure 7 shows that the majority (55.6%) of the respondents started their spaza shops because they were unemployed while 35.7% started a spaza shop because they saw a need in the market.

Figure 7: What was the main reason for starting the spaza? (Q3)



Business information

The table below shows that for most spaza shops the profits declined in the past 3 years. This is because the economy is bad (64.1%), more people became unemployed (57.9%) and too much competition (60%) for the spaza shops.

Table 2: Business profit growth over 3 years (Q22)

Reasons		Business profit growth			Total
		It grew	It declined	It stayed the same	
More people unemployed	n	1	113	35	149
	%	0.5%	57.9%	17.9%	76.4%
Economy is bad	n	1	125	42	168
	%	0.5%	64.1%	21.5%	86.2%
Too much competition	n	2	117	38	157
	%	1.0%	60.0%	19.5%	80.5%
I improved my marketing	n	4	0	0	4
	%	2.1%	0.0%	0.0%	2.1%
Cost saving measures	n	10	2	2	14
	%	5.1%	1.0%	1.0%	7.2%
Other*	n	0	1	1	2
	%	0.0%	0.5%	0.5%	1.0%
Total	n	15	132	48	195
	%	7.7%	67.7%	24.6%	100.0%

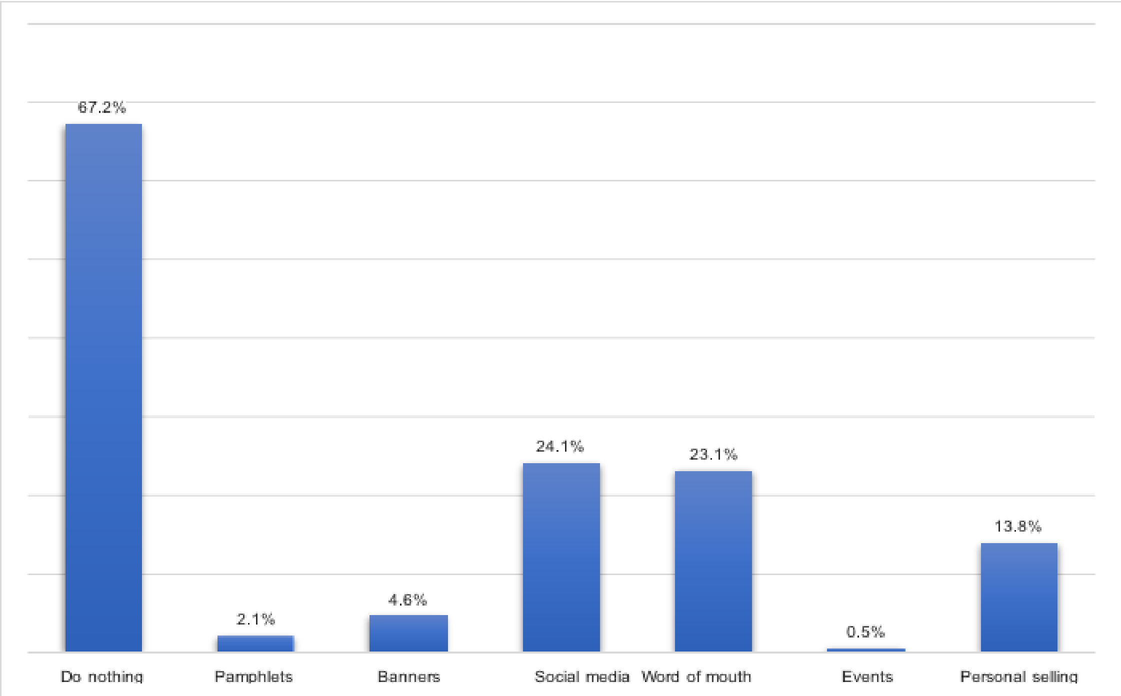
Table 3 below shows an association between business profit growth and how long the business has been in operation. The results indicate that for those spaza shops that have been in business for 6+ years, 46.7% had a decline in business profit growth over the past 3 years, 13.3% had no change in business profit, while 5.1% had a rise in their business profits. The chi-square test shows a significant association between tenure and business profit growth, with a p-value of 0.

Table 3: relationship between tenure and business profit growth (Q22)

Tenure		Business profit growth (Q22)		
		It grew	It declined	It stayed the same
0-2 years	n	3	0	2
	%	1,5%	0,0%	1,0%
3-5 years	n	2	41	20
	%	1,0%	21,0%	10,3%
6+ years	n	10	91	26
	%	5,1%	46,7%	13,3%
	Value	df	p-value	
Chi-Square Test statistic		25.872	4	0,000

In terms of marketing for the business (Figure 8), 67.2% of spaza shops don't market their businesses, while the few that market use social media (24.1%), word of mouth (23.1%) and personal selling (13.8%).

Figure 8: What marketing are you currently doing in the business? (Q24)



96.9% of the spaza shops currently purchase their stock from wholesalers, 33.8% purchase from Boxer and, 13.3% from Shoprite retailer.

Table 4: Where spaza shops currently purchase their stock (Q20)

	n	%
Wholesalers (Makro etc)	190	96.9%
Pick n pay retailer	11	5.6%
Shoprite retailer	26	13.3%
Spar retailer	2	1.0%
U save	6	3.1%
Boxer	5	2.6%
Cambridge	2	1.0%
Other	4	2.0%

Biggest challenges facing spaza shops in the townships

Table 5: Biggest challenges facing spaza shops in the townships (Q4)

	n	%
Lack of infrastructure	100	51.0%
Crime	167	85.2%
Lack of government support	135	68.9%
Too much competition	148	75.5%
Unemployment	93	47.4%
Trade restrictions	9	4.6%
Lack of suppliers	12	6.1%
Transport cost	22	11.2%
Load shedding	144	73.5%
Other*	1	0.5%

Table 5 above shows that the biggest challenges faced by spaza shops in the township include crime (85.2%), too much competition (75.5%), load shedding (73.5%), lack of government support (68.9%), lack of infrastructure (51%) and unemployment (47.4%). Table 6 below indicates that in order of importance crime is at the top with 41.3% of the respondents stating it as the most important challenge, followed by load shedding with 32.1% of the respondents stating it as the second most important challenge and then too much competition being stated by 54.1% of the respondents as the third most important challenge.

Table 6: Main challenges faced by spaza shops in townships in order of importance (Q19)

		n	%
Most important	**Competition**	26	13,3%
	Crime	**81**	**41,3%**
	High prices of stock, fuel and/or products	23	11,7%
	Lack of infrastructure	25	12,8%
Second importance	**Capacity**	18	9,2%
	Competition	50	25,5%
	Load shedding	**63**	**32,1%**
	Crime	25	12,8%
Third importance	**Competition**	**106**	**54,1%**
	Crime	13	6,6%
	Lack of infrastructure	13	6,6%
	Load shedding	52	26,5%

The majority of the respondents indicate that competition from other spaza shop owners and national brands is the main challenge faced by spaza shops in townships, followed by load shedding (70.9%) and crime (60.7%).

Furthermore, 88.2% of the spaza shops owners regard the biggest competition as coming from other spaza shops in the township.

Table 7: Biggest competition in the township (Q5)

	n	%
Shops in the CBD (Town) areas	4	2.1%
Hawkers	11	5.6%
Other spaza shops in township	172	88.2%
National chains that enter the market	4	2.1%
Online stores	0	0.0%
Illegal traders	3	1.5%
Other	1	0.5%

The respondents proposed solutions for the challenges that spaza shop owners as government intervention/support (21.4%), government helping to fight crime (11.7%), reduction of prices for stock and other products (8.7%) as well stopping load shedding (7.7%).

Table 8: Solutions proposed (Q19)

	n	%
Government intervention/support	42	21.4%
Government must help fight crime	23	11.7%
Reduce prices for stock and other products and also fight inflation	17	8.7%
Fight crime and stop load shedding	15	7.7%
Stop load shedding	11	5.6%
Government must provide security/protection for spaza shops and police to improve on law enforcement	10	5.1%
Reduction of crime by the government	9	4.6%
Skills development	8	4.1%
Stop crime and remove national brands	7	3.6%
Subsidize spaza shops by government	6	3.1%
The government must protect spaza shops	4	2.0%
Government can support small businesses by providing skills development and training	4	2.0%

Government must support spaza shops with business resources	4	2.0%
Stop crime by government and help reduce competition	4	2.0%

78.6% think that the township they operate in is big enough to sustain their business, with 73.7% saying that there are many people in the townships, who can buy from their spaza shops. 11.95% said they don't think that the township they operate in is big enough to sustain their business because of too many competitors.

Table 9: Do you think the township from which you operate is big enough to sustain (make enough money) your business? (Q25)

	Reason	**n**	**%**
Yes	**Nothing**	2	1.0%
	That is why we started here	1	0.5%
	The location is small	1	0.5%
	The township is big	5	2.6%
	There are many people in the townships, and they are able to buy from spaza shops	143	73.7%
	Too many competitors	2	1.0%
No	**The location is small**	1	0.5%
	Too many competitors	23	11.9%

Furthermore, 83.1% of the respondents indicated that township businesses should focus only in township, with 48.7% saying that the market is large enough, i.e., there are many customers.

Table 10: Should township businesses only focus on the township or also in securing business elsewhere? (Q26)

	Reason	**n**	**%**
Only in township	**I have no money to start elsewhere**	10	5.1%
	It's the same challenges everywhere	12	6.2%
	Moving to new areas is risky	1	0.5%
	Places like town are very expensive	6	3.1%
	The market is large enough (i.e., there are many customers)	95	48.7%
	There is no need to move	25	12.8%
	To grow/expand the business by getting more customers, increasing sales and revenue	5	2.6%
	It's the same challenges everywhere	1	0.5%

Elsewhere	**Maybe other areas are better**	4	2.1%
	The market is large enough (i.e., there are many customers)	1	0.5%
	There are too many spaza shops around	2	1.0%
	To grow/expand the business by getting more customers, increasing sales and revenue	6	3.1%
Both	**Maybe other areas are better**	1	0.5%
	The market is large enough (i.e., there are many customers)	2	1.0%
	There are too many spaza shops around	1	0.5%
	To grow/expand the business by getting more customers, increasing sales and revenue	14	7.2%

36.1% of the respondents said that they see themselves staying in their current business

Table 11: Do you see yourself staying in your current business/ or still be in business for the next 3 to 5 years? (Q27)

	Reason	n	%
Yes	**For the business to extend**	1	0.5%
	I have loyal customers who will always come and buy from me	10	5.2%
	I've been in the business for long time	11	5.7%
	It is convenient for community to buy from spaza shops because they are closer	70	36.1%
	My business is doing well/surviving and making a profit	29	14.9%
	No need to move	2	1.0%
	Spaza shops are useful and important to the community	35	18.0%
	The business is making enough money	1	0.5%
	The market is big enough	3	1.5%
	The spaza shop is my only source of my income	15	7.7%
	We will survive	5	2.6%
	Will keep fighting	1	0.5%
No	**The business is struggling (losing customers, decreasing sales and revenue)**	5	2.6%
	There is too much competition	1	0.5%

When asked what type of business they would start if they had to change their business 15.8% of the spaza owners said the clothing business because it is more profitable, 11.7% said hardware because it has more customers and makes more money and 10.2% said fast food mainly because it sells faster and people always buy food because they eat every day. Other businesses chosen are accommodation mostly because it more stable, supermarket, restaurants mainly because they have more customers and make more money, manufacturing mainly to supply retailers, alcohol mainly because it is more profitable and people are always drinking, and shisanyama because people love braai meat and there is demand for meat.

Table 12: If you had to change now, what type of business would you start and why? (Q28)

Business	Reason	n	%
Accommodation	Easy to run	1	0.5%
	More profitable	3	1.5%
	More stable	6	3.1%
	Stable income	1	0.5%
Alcohol	Beer drinkers always buy in large quantities	1	0.5%
	It has more customers and makes more money	1	0.5%
	More profitable	3	1.5%
	People are always drinking	3	1.5%
Automotive industry	More profitable	7	3.6%
Bakery	It has demand	2	1.0%
	It has more customers and makes more money	1	0.5%
	People buy and eat bread everyday	3	1.5%
Butchery	Meat is always in demand	1	0.5%
	More profitable	3	1.5%
Car wash	It is cheaper to run	1	0.5%
	Lower cost	3	1.5%
Catering	I don't want to learn a new business from scratch	1	0.5%
	I love catering business	1	0.5%
	It has more customers and makes more money	2	1.0%
Clothes and cars	More profitable	1	0.5%
Clothing	It has more customers and makes more money	8	4.1%
	More profitable	19	9.7%
	People love clothes and selling clothes is profitable	4	2.0%
Eggs	More profitable	1	0.5%
Farming	Farming business is booming	1	0.5%
Fast food	Does not require too much capital	1	0.5%
	Food has more sales as people are always eating	1	0.5%
	It has demand	1	0.5%
	It has more customers and makes more money	2	1.0%
	It is moving	1	0.5%
	People always buy food because they eat everyday	7	3.6%
	Sells faster	7	3.6%
Fruits and vegetables	I have passion for the business	1	0.5%
	Stock is cheaper	1	0.5%
Hardware	It has more customers and makes more money	16	8.2%
	More profitable	5	2.6%

	People are always building and it is profitable	1	0.5%
	These are used every day and always get damaged	1	0.5%
Loan business	People always need money	1	0.5%
Make furniture	More profitable	1	0.5%
Manufacturing	It has more customers and makes more money	1	0.5%
	So I can supply retailers with my products	1	0.5%
	To supply retailers	7	3.6%
Plumbing	I have skills	1	0.5%
Printing business	It is needed in the market	1	0.5%
	There is a need for printing service in the market	1	0.5%
Restaurant	It has more customers and makes more money	9	4.6%
Saloon	I have passion for the business	1	0.5%
	It has more customers and makes more money	4	2.0%
	More profitable	3	1.5%
Sell chickens	It has demand	1	0.5%
Sell purified water	People nowadays prefer clean water	1	0.5%
Shebeen	More profitable	1	0.5%
Shisanyama	It has demand	2	1.0%
	It has more customers and makes more money	2	1.0%
	More profitable	1	0.5%
	People love braai meat	1	0.5%
	People love meat	2	1.0%
Supermarket	I have knowledge in the business	1	0.5%
	It has more customers and makes more money	6	3.1%
	It will reach many people	2	1.0%
	To have more products	1	0.5%
Wholesale	I want to have a bigger business	1	0.5%
	More profitable	1	0.5%
	Provide services to many businesses and earn more money	1	0.5%
	To reach many in providing quality products and services	1	0.5%

National retailers

Looking at information about national brands, 99% of the respondents are aware of national retail outlets in their township.

Table 13: Awareness of any national retail outlets (large retailers) in your township/market area (Q6)

	n	%
Yes	189	99.0%
No	2	1.0%

Out of those who are aware of any national retail outlet in the township/market area, 89.7% indicated that they are aware of Shoprite and 33.8% are aware of Boxer and Pick n Pay. Some of the spaza shop owners are aware of U-Save (14.9%) and Cambridge (13.8%) currently operating in their area.

Table 14: Brands currently operating in the township (Q6.1)

National retail outlets	**n**	**%**
Shoprite	175	89.7%
OK Foods	8	4.1%
U-Save	29	14.9%
Boxer	66	33.8%
Cambridge Foods	27	13.8%
Pick n Pay	66	33.8%
Spar	5	2.6%
Other*	3	1.5%

Furthermore, 68% of the spaza shop owners reflected that the national retailers are taking away customers from their spaza shops, while 17.1% said the retailers are taking away customers only for some items.

Table 15 In your opinion, are these retailers taking away customers from your spaza shop? (Q7)

	n	%
Yes	132	68.0%
No	29	14.9%
Only for some items	33	17.1%

86.7% of the respondents don't think they can compete against these national brand stores, with 61.2% saying that it is mainly because national brands are bigger than spaza shops while 14.8% say it is because spaza shops lack capacity and resources. Moreover, 11.2% of the spaza shop owners think they can compete against the national brand stores, with 6.6% saying it is because it is convenient for customers to reach spaza shops (i.e., spaza shops are closer to the customers).

Table 16: Do you as a spaza shop feel that you can compete against these national brand stores? (Q8)

	Reason	n	%
Yes	**It is convenient for customers to reach the spaza shops (i.e. spaza shops are closer to the customers)**	13	6.6%
	National brands are bigger than spaza shops	4	2.0%
	National brands have more stock than spaza shops (i.e. spaza shops have limited stock)	1	0.5%
	Some products are cheaper at spaza shops (i.e. some prices are lower at spaza shops and customers still buy from me)	2	1.0%
No	**National brands are bigger than spaza shops**	120	61.2%
	National brands are popular	1	0.5%
	National brands have more stock than spaza shops (i.e. spaza shops have limited stock)	15	7.7%
	National brands offer discounts, and specials on their products	4	2.0%
	Some products are cheaper at spaza shops (i.e. some prices are lower at spaza shops and customers still buy from me)	1	0.5%
	Spaza shops lack of capacity and resources	29	14.8%
Unsure	**It is convenient for customers to reach the spaza shops (i.e. spaza shops are closer to the customers)**	1	0.5%
	Some products are cheaper at spaza shops (i.e. some prices are lower at spaza shops and customers still buy from me)	2	1.0%
	Spaza shops lack of capacity and resources	1	0.5%

Table 17: Since national brands started entering the township market do you think you have lost sales/market share/profits? (Q10)

	Reason	n	%
Yes	Black people do not support each other	1	0.5%
	Customers are now buying more from big retailers	47	24.2%
	Customers buy from spaza shop	1	0.5%
	Market share reduced due to increased competitors	13	6.7%
	National brands have more stock and a wider range of products (i.e. spaza shops don't have enough stock)	12	6.2%
	National brands often offer discounts (+ lower prices) and specials	8	4.1%
	Sales have gone down for my business (less revenue)	90	46.4%
No	Customers buy from spaza shop	9	4.6%
	My business is still running and making profit	6	3.1%
	National brands are not very close to my business	6	3.1%

According to Table 17, 88.7% of the respondents have lost sales/market share or profits since national brands started entering the township market, with 46.4% saying it the sales have gone down for my business (less revenue) and 24.2% saying that customers are now buying more from big retailers. However, 11.3% of the respondents have not lost sales/market share or profits since national brands started entering the township market.

Table 18: If offered a choice, would you consider working with a national brand in terms of aspects of your business? (Q11)

	Reason	n	%
Yes	Funding	1	0.5%
	Infrastructure	1	0.5%
	My business can share equipment with national brands	4	2.1%
	My business can share resources with national brands	5	2.6%
	National brands can assist with delivery of stock to my business	22	11.3%
	National brands can help my business by supplying stock at lower prices	81	41.8%
	National brands will help my business grow	25	12.9%
	National brands will help to improve the image of my spaza shop	2	1.0%
	They can help with training, skills development, mentorship, and exposure to the market	40	20.6%
No	I don't want partnerships; I prefer working alone	4	2.1%
	I'm afraid national brands will take over my business	6	3.1%
	National brands can help my business by supplying stock at lower prices	1	0.5%

If offered a choice, 94.3% of the spaza shop owners would consider working with a national brand mainly because national brands can help spaza shops by supplying stock at lower prices (41.8%) and they can help with training, skills development, mentorship, and exposure to the market (20.6%). Moreover, 5.7% of the respondents would not consider working with a national brand in terms of aspects of their because they prefer working alone and some are afraid that national brands will take over their business.

Table 19: Which national brands would you prefer to work with if you had an opportunity? (Q12)

	n	%
Pick n pay	61	31.1%
Shoprite	180	91.8%
Spar	20	10.2%
Usave	32	16.3%
Boxer	48	24.5%
Cambridge	16	8.2%
OK Foods	6	3.1%
Other	7	3.6%

The results (Table 19) show that 91.8% of the spaza shops prefer to work with Shoprite, 31.1% with Pick n Pay and 24.5% with Boxer.

Table 20: In which areas would you like to work in conjunction with national brands? (Q13)

	n	%
Supplier to me	184	93.9%
Pricing	143	73.0%
Store layout and design	38	19.4%
Management structure and systems	69	35.2%
Financial advice	32	16.3%
Marketing advice	70	35.7%
Other	6	3.1%

The areas that the respondents would like to work in conjunction with national brands include the big brands being suppliers to spaza shops (93.9%), on pricing (73%), on marketing advice (35.7%) and management structure and systems (35.2%). In terms of additional support from national brands, 21.4% spaza shops expect to receive equipment, 18.9% expect to receive support for delivery of stock and 12.2% of the respondents expect to be given a container.

Table 21: Additional support expected from a national brand (Q14)

	n	%
Bulk stock and specials	3	1.5%
Delivery of stock	37	18.9%
Equipment	42	21.4%
Financial support in terms of funding/sponsorship	12	6.1%
Give us, spaza shops, a container	24	12.2%
Infrastructure	3	1.5%
None	16	8.2%
Provide security	4	2.0%
Provide spaza shops with training, skills development and mentorship	11	5.6%
Share resources	19	9.7%
Supply stock at discounted price	14	7.1%
Support with a container	1	0.5%
Transport	1	0.5%

Table 22 below shows that majority (93.3%) of the respondents are of the opinion that they can possibly work effectively with a national brand.

Table 22: In your opinion is your current store able to make it possible to work effectively with a national brand? (Q15)

	n	%
Yes	180	93.3%
No	9	4.7%
Unsure	4	2.1%

When asked whether the success and future of spaza shops is in danger of being shut out of townships, 91.4% of the respondents said no, mainly because they have loyal customers who always buy from them (49%) and spaza shops are conveniently located (18.4%) and are important and useful to the community (17.9%). However, there are a few (4.6%) spaza businesses who think that their success and future is in danger of being shut out of townships mainly because of competition from national brands.

Table 23: The success and future of spaza shops in danger of being shut out of townships (Q16)

	Reason	n	%
Yes	Because of competition from national brands, they are taking our customers	6	3.1%
	Spaza shops are important and useful to the community	2	1.0%
	Too much nyaope	1	0.5%
No	Spaza shops are conveniently located, and closer to customers	36	18.4%
	Spaza shops are important and useful to the community	35	17.9%
	Spaza shops give discount to our customers	1	0.5%
	Spaza shops have been existing for years and are still surviving	10	5.1%
	We can co-exist	1	0.5%
	We have loyal customers who will always buy from us	96	49.0%
Unsure	Depend on the customers' preference	1	0.5%
	Some closed but others are still operating	1	0.5%
	Spaza shops are conveniently located, and closer to customers	1	0.5%
	Spaza shops have been existing for years and are still surviving	1	0.5%
	We have loyal customers who will always buy from us	1	0.5%

As can be seen from Table 24 below, 55 (28.1%) of respondents indicated that there is need for support by the government in order to improve the situation for spaza shops in the townships and 31 (15.8%) suggested that funding by government and/or private companies is what is needed to improve the situation. All the suggestions point towards some form of support by the government which includes subsidies and offering training and business resources.

Table 24: Suggestion to improve the situation for spaza shops in the townships, and by whom? (Q)

	n	%
Funding spaza shops by government and/or private companies	31	15.8%
Government and private companies need to support small businesses	26	13.3%
Government to support spaza shops with training and business resources	13	6.6%
Subsidy to spaza shops by the government	27	13.8%
Support by the government	55	28.1%

State of readiness to work or compete with national retailers

To evaluate the state of readiness for spaza shops to work or compete with national retailers, Question 9 4-point Likert scale statements were used, and the results are presented below.

These are presented into sections which grouped the statements that refer to the same concept:

- *National brands are better than spaza shops*
- *Spaza shops competition*
- *Spaza shops & national brands working together*
- *Spaza shops opportunities*
- *Government support & intervention*
- *Spaza shops can effectively compete*
- *Spaza shops challenges*

Table 25: National brands are better than spaza shops

		Strongly disagree	**Disagree**	**Agree**	**Strongly agree**
The prices of National brands are much lower than our prices	n	32	22	75	67
	%	16.3%	11.2%	38.3%	34.2%
The quality of national brands stock is better than ours	n	48	105	28	15
	%	24.5%	53.6%	14.3%	7.7%
National brand stores have better management than spaza shops	n	3	7	37	149
	%	1.5%	3.6%	18.9%	76.0%

Majority of the respondents agree (38.3%) and strongly agree (34.2%) that the prices of national brands are much lower than the spaza shop prices and 76% strongly agree that national brand stores have better management than spaza shops. This is an indication of the high competition that national retailers pose for spaza shop owners in the township in terms of price and management of their stores. However, 53.6% disagree (24.5% strongly disagree) that the quality of national brands stock is better than theirs, which is good for spaza shops because most customers prefer better quality product.

Table 26: Spaza shops competition

		Strongly disagree	Disagree	Agree	Strongly agree
Spaza shops offer better service than national brands	**n**	35	32	102	27
	%	17.9%	16.3%	52.0%	13.8%
Spaza shops can compete with national brands	**n**	43	120	14	19
	%	21.9%	61.2%	7.1%	9.7%
National brands pose no threat to spaza shops	**n**	53	104	24	15
	%	27.0%	53.1%	12.2%	7.7%
Spaza shops will survive over the long term in spite of national brands in the township	**n**	3	6	154	33
	%	1.5%	3.1%	78.6%	16.8%
Customers are more likely to buy from a spaza shop than a national brand outlet in the township	n	3	109	51	32
	%	1.5%	55.9%	26.2%	16.4%

With reference to the survival possibility of spaza shops, 52% of the respondents agree that spaza shops offer better service than national brands, while 13.8% strongly agree. Majority of the respondents disagree (61.2%) and strongly disagree (21.9%) that spaza shops can compete with national brands, and 53.1% of spaza shop representatives disagree that that national brands pose no threat to spaza shops. Also, the majority (55.9%) disagree that customers are more likely to buy from a spaza shop than a national brand outlet in the township. These results show the high competition brought by national brands and the inability that majority of the spaza shop owners can survive in the township because they are able to compete against national brands. However, there is some positivity because 78.6% agree that spaza shops will survive over the long term despite national brands in the township. Furthermore, Table 28 below shows results of statements that refer to spaza shops and national brands working together.

Table 27: Spaza shops & national brands working together

		Strongly disagree	Disagree	Agree	Strongly agree
I would like to work together with national brands for better prices	n	7	64	52	73
	%	3.6%	32.7%	26.5%	37.2%
I would like to be an outlet (independent) for national brands	n	1	10	24	161
	%	0.5%	5.1%	12.2%	82.1%
National brands should work with spaza shops and not against them	n	0	4	32	160
	%	0.0%	2.0%	16.3%	81.6%
I would like to have a national brand as my mentor	n	24	89	32	51
	%	12.2%	45.4%	16.3%	26.0%
I would prefer to buy my stock directly from the national brand in the township	n	10	131	36	19
	%	5.1%	66.8%	18.4%	9.7%
National brands should offer delivery service to spaza shops	n	2	5	33	156
	%	1.0%	2.6%	16.8%	79.6%
National brands should have the same price on the items sold by spaza shops	n	2	10	36	148
	%	1.0%	5.1%	18.4%	75.5%

37.2% of the respondents strongly agree that they would like to work together with national brands for better prices, 82.1% would like to be an outlet (independent) for national brands and 81.6% strongly agree that national brands should work with spaza shops and not against them. This is a good reflection of the willingness for spaza shop owners to work together with national brands. In working together, the spaza shops indicate that national brands should offer delivery service to spaza shops (79.6% strongly agree) and should have the same price on the items sold by spaza shops (75.5%). Nevertheless, 45.4% disagree and 12.2% strongly disagree that they would like to have a national brand as a mentor and 66.8% do not prefer to buy their stock directly from the national brand in the township. As much as spaza shops are willing to work together with national brands, there’s still some areas where they want to maintain their individuality.

Table 28: Spaza shops opportunities

		Strongly disagree	Disagree	Agree	Strongly agree
Spaza shops need to be able to source their supplies at a better price and national brands must assist with this	**n**	0	1	23	172
	%	0.0%	0.5%	11.7%	87.8%
I would like the opportunity to work together with national brands on management issues	**n**	29	111	40	16
	%	14.8%	56.6%	20.4%	8.2%
I would like the opportunity to work together with national brands on procurement issues	**n**	1	149	27	18
	%	0.5%	76.4%	13.8%	9.2%
I would like the opportunity to work together with national brands on delivering stock	**n**	1	5	29	160
	%	0.5%	2.6%	14.9%	82.1%
I would like the opportunity to work together with national brands on advertising their brands	**n**	5	110	29	51
	%	2.6%	56.4%	14.9%	26.2%
I would like the opportunity to work together with national brands on pricing	**n**	1	7	25	162
	%	0.5%	3.6%	12.8%	83.1%
A joint venture with a national brand is a good idea	**n**	25	24	114	32
	%	12.8%	12.3%	58.5%	16.4%

Table 29 above presents results on opportunities that spaza shops would be interested in while working together with national brands. 87.8% strongly agree that spaza shops need to be able to source their supplies at a better price and national brands must assist with this and 83.1% strongly agree that they I would like the opportunity to work together with national brands on pricing. Moreover, 82.1% of the respondents would like the opportunity to work together with national brands on delivering stock and 58.5% agree that a joint venture with a national brand is a good idea. However, Majority of these respondents disagree that they would like the opportunity to work together with national brands on management issues (56.6% disagree), to work together with national brands on procurement issues (76.4% disagree) and to work together with national brands on advertising their brands (56.4% disagree). These indicate that spaza shop owners still prefer to work independently of national brands when it comes to advertising, management and procurement issues.

Table 29: Government support & intervention

		Strongly disagree	Disagree	Agree	Strongly agree
National brands should not be allowed to open outlets in the townships	n	14	102	30	50
	%	7.1%	52.0%	15.3%	25.5%
For spaza shops to survive, legislation is required against national brands	n	7	129	32	28
	%	3.6%	65.8%	16.3%	14.3%
Government must upgrade the facilities in townships for spaza shops	n	4	15	24	153
	%	2.0%	7.7%	12.2%	78.1%
It is government's responsibility to train spaza shops in management to better compete against national brand outlets	n	12	108	26	50
	%	6.1%	55.1%	13.3%	25.5%
National brands must be compelled through legislation to mentor spaza shops	n	14	102	23	57
	%	7.1%	52.0%	11.7%	29.1%
There should be government regulations to limit the number of national brand outlets in townships	n	1	1	19	174
	%	0.5%	0.5%	9.7%	89.2%

For government support and intervention, approximately 60% of the respondents do not support the statement that national brands should not be allowed to open outlets in the townships, 65.8% do not agree that for spaza shops to survive, legislation is required against national brands and 52% also disagree that national brands must be compelled through legislation to mentor spaza shops. This means that majority of the spaza shop owners do not support having a legislation against national brands and are open to the idea of having national retailers in the townships. 55.1% disagree that it is government's responsibility to train spaza shops in management to better compete against national brand outlets. However, 78.1% of the respondents strongly agree that the government must upgrade the facilities in townships for spaza shops and 89.2% strongly agree that there should be government regulations to limit the number of national brand outlets in townships.

Table 30: Spaza shops can effectively compete

		Strongly disagree	Disagree	Agree	Strongly agree
Spaza shops can effectively compete against national brand outlets by means of convenience	**n**	3	3	14	176
	%	1.5%	1.5%	7.1%	89.8%
Spaza shops can effectively compete against national brand outlets by means of price	**n**	52	120	9	15
	%	26.5%	61.2%	4.6%	7.7%
Spaza shops can effectively compete against national brand outlets by means of quality	**n**	1	10	157	28
	%	0.5%	5.1%	80.1%	14.3%
Spaza shops can effectively compete against national brand outlets by means of shopping hours	**n**	0	1	14	181
	%	0.0%	0.5%	7.1%	92.3%

In terms of effectively competing majority of the spaza shop owners strongly agree that spaza shops can effectively compete against national brand outlets by means of convenience (89.8%) and of shopping hours (92.3%). And they agree that spaza shops can effectively compete against national brand outlets by means of quality (80.1%). This is a good indication that as much as the national brands are posing threat to spaza shops in the townships, spaza shop owners are confident that they can effectively compete in terms of means of convenience, shopping hours and quality. But 61.2% disagree that spaza shops can effectively compete against national brand outlets by means of price.

Table 31: Spaza shops challenge

		Strongly disagree	Disagree	Agree	Strongly agree
There are too many national brand outlets in the townships	**n**	5	106	28	57
	%	2.6%	54.1%	14.3%	29.1%
There are too many spaza shops trading in the township	**n**	0	4	21	171
	%	0.0%	2.0%	10.7%	87.2%
I believe that the entry of national brands in townships will lead to the extinction of spaza shops	**n**	124	29	21	21
	%	63.6%	14.9%	10.8%	10.8%
I do not trust national brands in townships	**n**	22	132	7	34
	%	11.3%	67.7%	3.6%	17.4%

In addition, 54.1% of the respondents disagree that there are too many national brand outlets in the townships, instead there are too many spaza shops trading in the township (87.2% strongly agree). Table 31 above also indicates that 63.6% of the spaza shops strongly disagree that the entry of national brands in townships will lead to the extinction of spaza shops. 67.7% of the respondents also disagree that they do not trust national brands in townships. This indicates some level of trust which is a good basis for collaborations between spaza shops and national retailers.

Growth and sustainability of spaza shops in the townships

Furthermore, Question 17 from the questionnaire was used to assess the growth and sustainability of spaza shops. There are 19 statements which speak to growth and sustainability of spaza shops, with subcategories of these questions identified by the researcher as:

- *Spazas working together with national brands*
- *Containing national brands presence in the township*
- *Training for spaza shops*
- *Support for spaza shops*
- *Support by residents*

Table 32 below shows the importance of spaza shops working together with national brands, with 42.3% of the respondents saying that national brands having a cooperative agreement with spaza shops is not important at all. Branding spaza shops together with national brands is moderately important (67.7%) and rebranding spaza shops as national brand outlets is slightly important (73.4%).

Table 32: Spazas working together with national brands

		Not important at all	Slightly important	Moderately important	Very important
National brands must have a cooperative agreement with spaza shops	n	80	40	32	37
	%	42.3%	21.2%	16.9%	19.6%
Brand spaza shops together with national brands	n	21	28	130	13
	%	10.9%	14.6%	67.7%	6.8%
Rebrand spaza shops as national brand outlets	n	19	141	19	13
	%	9.9%	73.4%	9.9%	6.8%

Table 33: Containing national brands presence in the township

		Not important at all	Slightly important	Moderately important	Very important
Keep national brands out of townships	n	88	25	33	46
	%	45.8%	13.0%	17.2%	24.0%
Legally limit the number of national brands in townships	n	1	0	29	161
	%	0.5%	0.0%	15.2%	84.3%
Allocating specific trading areas to national brands in townships	n	0	1	49	141
	%	0.0%	0.5%	25.7%	73.8%
Demarcating areas in townships for a set number of spaza shops	n	21	14	113	43
	%	11.0%	7.3%	59.2%	22.5%
Restricting the number of national brands	n	1	2	114	74
	%	0.5%	1.0%	59.7%	38.7%

In reference to containing national brands in the township, 45.8% of the spaza shop owners indicate that keeping national brands out of townships is not important at all. However, they consider it very important to legally limit the number of national brands in townships (84.3%|) and allocating specific trading areas to national brands in townships (73.8%). Majority of the respondents indicate that demarcating areas in townships for a set number of spaza shops (59.2%) is moderately important, as well restricting the number of national brands (59.7%).

Table 34: Training for spaza shops

		Not important at all	Slightly important	Moderately important	Very important
Share training resources with spaza shops	n	4	7	61	120
	%	2.1%	3.6%	31.8%	62.5%
Staff at spaza shops need to be trained in customer service	n	2	0	118	71
	%	1.0%	0.0%	61.8%	37.2%
Staff at spaza shops need to be trained in management	n	2	1	123	65
	%	1.0%	0.5%	64.4%	34.0%
Staff at spaza shops need to be trained in financial skills	n	3	0	99	90
	%	1.6%	0.0%	51.6%	46.9%

From the responses given by the businesses it can be seen that the majority of the respondents consider sharing training resources with spaza shops (62.5%) as very important and the need for staff at spaza shops to be trained in customer service as moderately important (61.8%). The need for staff at spaza shops to be trained in management is moderately important according to 64.4% of the respondents and just of half of the respondents (51.6%) consider the same for the need for staff to be trained in financial skills.

Table 35: Support for spaza shops

		Not important at all	Slightly important	Moderately important	Very important
Give preferential pricing to spaza shops from national brands	**n**	4	4	40	143
	%	2.1%	2.1%	20.9%	74.9%
Subsidised delivery from national brands	**n**	4	3	30	154
	%	2.1%	1.6%	15.7%	80.6%
Making/assisting spaza shops with better facilities	**n**	1	3	17	170
	%	0.5%	1.6%	8.9%	89.0%
Reducing unemployment in the country	**n**	1	2	18	170
	%	0.5%	1.0%	9.4%	89.0%
Improving safety in townships	**n**	1	2	17	171
	%	0.5%	1.0%	8.9%	89.5%

Regarding support for spaza shops to function better, more than three-quarters of the respondents consider all the items very important. 74.9% of the businesses in the townships consider giving preferential pricing to spaza shops from national brands to be very important, 80.6% consider subsidised delivery from national brands to very important and 89% indicate that making/assisting spaza shops with better facilities is very important. About 89% of the spaza owners indicate that reducing unemployment in the country and improving safety in townships are very important. These reflect and support the finding that spaza shops in townships do need some support, mainly from the government.

Table 36: Support by residents

		Not important at all	Slightly important	Moderately important	Very important
There must be more trust in spaza shops by residents in townships	n	0	1	39	152
	%	0.0%	0.5%	20.3%	79.2%
Residents of townships need to be encouraged to support spaza shops	n	0	0	12	179
	%	0.0%	0.0%	6.3%	93.7%

Furthermore, spaza shop owners also need support from residents in townships with 79.2% highlighting that it is very important for stakeholders to have more trust in spaza shops by residents in townships and 93.7% acknowledge that it is very important for residents of townships to be encouraged to support spaza shops.

Best opportunities for spaza shops survival in the medium

Almost all respondents indicate that more government support (95.8%), improving security and safety so customers can feel safe to buy from the spaza shop (81.1%) and improving facilities in townships (64.2%) are very important for spaza shops. Working in cooperation with national brands (67.4%), improving management skills (64.2%) as well as less restrictions on trade e.g. Health and safety, minimum wage, working hours, tax regulations (58.4%) are moderately important for spaza shops in townships. Growth in trust of spaza shops is indicated as slightly important by 52.6% of the spaza shops respondents. Nonetheless, 67.9% of the spaza shops respondents consider that there are less shops due to shops closing down as not important at all.

Table 37: Best opportunities for spaza shops survival in the medium

		Not important at all	Slightly important	Moderately important	Very important
The market is expanding due to more people moving into the township	n	49	71	22	48
	%	25.8%	37.4%	11.6%	25.3%
There is a growth in trust of spaza shops	n	37	100	16	37
	%	19.5%	52.6%	8.4%	19.5%
There are less shops due to shops closing down	n	129	39	17	5
	%	67.9%	20.5%	8.9%	2.6%
Improving facilities in townships	n	2	3	63	122
	%	1.1%	1.6%	33.2%	64.2%
Improving security and safety so customers can feel save to buy from the spaza shop	n	0	0	36	154
	%	0.0%	0.0%	18.9%	81.1%
Working in cooperation with national brands	n	0	4	128	58
	%	0.0%	2.1%	67.4%	30.5%
By improving management skills	n	0	2	122	66
	%	0.0%	1.1%	64.2%	34.7%
Less restrictions on trade e.g. Health and safety, minimum wage, working hours, tax regulations	n	1	0	111	78
	%	0.5%	0.0%	58.4%	41.1%
More government support	n	1	1	6	182
	%	0.5%	0.5%	3.2%	95.8%

APPENDIX – QUESTIONNAIRE

Combined letter of introduction and informed consent for participation

Transforming the township retail market in South Africa: A Sustainable Growth and Development

Model for Spaza Shops

Dear Respondent,

Please note the following:

- *Your participation in this research is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.*

- *Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than **10 – 20 minutes** of your time.*

Please sign the form to indicate that:

- *You have read and understand the information provided above.*

- *You give your consent to participate in the research on a voluntary basis.*

______________________________ ____________________

Respondent’s signature Date

Respondent number:

Dear Respondent,

Thank you for your time and willingness to complete the following questionnaire. There are no correct or incorrect answers. We are merely interested in your own personal opinion regarding the subject matter. Please answer questions by placing a cross (x) in the appropriate block and providing reasons where applicable.

SECTION A: BUSINESS DEMOGRAPHICS

QUESTION 1

Please confirm that you are the spaza shop owner:

Response	
Yes	
No	

If no, you do not meet the criteria to participate in the survey ad please exit. Thank you for your time**.**

Question 1.1 Please provide answers to the following questions relating to your business:

Response	
Name of the business	
Contact telephone number	
Contact email address	
Number of employees	
Township	

QUESTION 2

How long have you owned this spaza shop? … (Please make a cross (x) by the relevant option)

Response	
0-2 years	
3-5 years	
6+ years	

QUESTION 3

What was the main reason for starting the spaza shop? (Please select only one option)

Response	
My parents started it and I took over	
I was unemployed	
Saw a need in the market	
Other*	

*If other please specify:

____

QUESTION 4

What would you say are the biggest challenges facing spaza shops in the townships? (Mark all that apply)

Rank

Response	
Lack of infrastructure	
Crime	
Lack of government support	
Too much competition	
Unemployment	
Trade restrictions	
Lack of suppliers	

Transport cost	
Load shedding	
Other*	

*If other please specify

QUESTION 5

Regarding competition in the township, where would you say the biggest competition comes from? (Please select only one)

Response	
Shops in the CBD (Town) areas	
Hawkers	
Other spaza shops in township	
National chains that enter the market	
Online stores	
Illegal traders	
Other	

If other please specify: ______

QUESTION 6

With reference to question 5, are you aware of any national retail outlets (large retailers) in your township/market area?

Response	
Yes	
No	

Question 6.1 If Yes, which brands are you aware of that are currently operating in your area?

Response

Shoprite	
OK Foods	
U-Save	
Boxer	
Cambridge Foods	
Pick n Pay	
Spar	
Other*	

*If other please specify: _____

QUESTION 7

In your opinion, are these retailers taking away customers from your spaza shop?

Response	
Yes	
No	
Only for some items	

QUESTION 8

Do you as a spaza shop feel that you can compete against these national brand stores?

Response	
Yes	1
No	2
Unsure	7

Please motivate your answer:

QUESTION 9

The table below gives some statements regarding national (large)retailers entering the market. Please indicate to what extent you agree with these statements, where: 1 = strongly disagree, 2 = disagree, 3 = agree, 4 = Strongly agree

	1	2	3	4
The prices of National brands are much lower than our prices	1	2	3	4
The quality of national brands stock is better than ours	1	2	3	4
Spaza shops offer better service than national brands	1	2	3	4
Spaza shops can compete with national brands	1	2	3	4
National brands pose no threat to spaza shops	1	2	3	4
National brand stores have better management than spaza shops	1	2	3	4
I would like to work together with national brands for better prices	1	2	3	4
I would like to be an outlet (independent) for national brands	1	2	3	4
National brands should work with spaza shops and not against them	1	2	3	4
I would like to have a national brand as my mentor	1	2	3	4
I would prefer to buy my stock directly from the national brand in the township	1	2	3	4
National brands should offer delivery service to spaza shops	1	2	3	4

National brands should have the same price on the items sold by spaza shops	1	2	3	4
Spaza shops will survive over the long term in spite of national brands in the township	1	2	3	4
National brands should not be allowed to open outlets in the townships	1	2	3	4
For spaza shops to survive, legislation is required against national brands	1	2	3	4
Government must upgrade the facilities in townships for spaza shops	1	2	3	4
It is government's responsibility to train spaza shops in management to better compete against national brand outlets	1	2	3	4
National brands must be compelled through legislation to mentor spaza shops	1	2	3	4
There are too many national brand outlets in the townships	1	2	3	4
There are too many spaza shops trading in the township	1	2	3	4
Spaza shops need to be able to source their supplies at a better price and national brands must assist with this	1	2	3	4
Spaza shops can effectively compete against national brand outlets by means of convenience	1	2	3	4
Spaza shops can effectively compete against national brand outlets by means of price	1	2	3	4
Spaza shops can effectively compete against national brand outlets by means of quality	1	2	3	4
Spaza shops can effectively compete against national brand outlets by means of shopping hours	1	2	3	4
I would like the opportunity to work together with national brands on management issues	1	2	3	4
I would like the opportunity to work together with national brands on procurement issues	1	2	3	4
I would like the opportunity to work together with national brands on delivering stock	1	2	3	4
I would like the opportunity to work together with national brands on advertising their brands	1	2	3	4
I would like the opportunity to work together with national brands on pricing	1	2	3	4
I believe that the entry of national brands in townships will lead to the extinction of spaza shops	1	2	3	4
Customers are more likely to buy from a spaza shop than a national brand outlet in the township	1	2	3	4
There should be government regulations to limit the number of national brand outlets in townships	1	2	3	4
A joint venture with a national brand is a good idea	1	2	3	4
I do not trust national brands in townships	1	2	3	4

QUESTION 10

Since national brands started entering the township market do you think you have lost sales/market share/profits?

Response	
Yes	
No	

Please provide a reason for your answer:

QUESTION 11

If offered a choice would you consider working with a national brand in terms of aspects of your business?

Response	
Yes	
No	

Please provide a reason for your answer:

QUESTION 12

Which national brands would you prefer to work with if you had an opportunity? (*Please make a cross (x) by **all** relevant options*).

Response	
Pick n pay	
Shoprite	
Spar	
Usave	
Boxer	

Cambridge	
OK Foods	
Other*	

*If other please specify: _____

QUESTION 13

In which areas would you like to work in conjunction with national brands?(*Please make a cross (x) by **all** relevant options*).

Response	
Supplier to me	
Pricing	
Store layout and design	
Management structure and systems	
Financial advice	
Marketing advise	
Other*	

*If other please specify: _____

QUESTION 14

What additional support would you expect to receive form a national brand if you were to work together?

____
____
____
____

QUESTION 15

In your opinion is your current store able to make it possible to work effectively with a national brand?

Response	
Yes	
No	

Unsure	

QUESTION 16

In your opinion, is the success and future of spaza shops in danger of being shut out of townships?

Response	
Yes	
No	
Unsure	

Please motivate your answer;

QUESTION 17

Please rate the following statement from 1 to 4 where 1= Not important at all; 2 = slightly important, 3= moderately important and 4= Very important to indicate the most important issues that will ensure that there is growth and sustainability of spaza shops in the townships

Keep national brands out of townships	1	2	3	4
National brands must have a cooperative agreement with spaza shops	1	2	3	4
Brand spaza shops together with national brands	1	2	3	4
Rebrand spaza shops as national brand outlets	1	2	3	4
Share training resources with spaza shops	1	2	3	4
Give preferential pricing to spaza shops from national brands	1	2	3	4
Subsidised delivery from national brands	1	2	3	4
Legally limit the number of national brands in townships	1	2	3	4
Allocating specific trading areas to national brands in townships	1	2	3	4
Demarcating areas in townships for a set number of spaza shops	1	2	3	4
Restricting the number of national brands	1	2	3	4
Making/assisting spaza shops with better facilities	1	2	3	4
Reducing unemployment in the country	1	2	3	4
Improving safety in townships	1	2	3	4
There must be more trust in spaza shops by residents in townships	1	2	3	4
Residents of townships need to be encouraged to support spaza shops	1	2	3	4
Staff at spaza shops need to be trained in customer service	1	2	3	4

Staff at spaza shops need to be trained in management	1	2	3	4
Staff at spaza shops need to be trained in financial skills	1	2	3	4

QUESTION 18

Please rate the following statement from 1 to 5 where 1= Not important at all; 2 =slightly important,3= moderately important and 4= Very important) as to what you see as the best opportunities for spaza sops survival in the medium

The market is expanding due to more people moving into the township	1	2	3	4
There is a growth in trust of spaza shops	1	2	3	4
There are less shops due to shops closing down	1	2	3	4
Improving facilities in townships	1	2	3	4
Improving security and safety so customers can feel save to buy from the spaza shop	1	2	3	4
Working in cooperation with national brands	1	2	3	4
By improving management skills	1	2	3	4
Less restrictions on trade eg Health and safety, minimum wage, working hours, tax regulations	1	2	3	4
More government support	1	2	3	4

QUESTION 19

In your opinion what are the ***three*** main challenges that spaza shops in townships face? (Please indicate in order of importance - can be infrastructure, competition from national brands, services, support etc.).

1)
2)
3)

What solutions can you propose for these major challenges?

QUESTION 20

Where do you currently purchase your stock for your spaza shop?(Tick all that apply)

Response	
Wholesalers (Makro etc)	
Pick n pay retailer	
Shoprite retailer	
Spar retailer	
U save	
Boxer	
Cambridge	
Ok Foods	
Other	

If Other please indicate which supplier:

QUESTION 21

What do you suggest can or should be done to improve this situation for spaza shops in the townships, and by whom?

____

____

SECTION D: YOUR BUSINESS

The following questions relate to **your business.**

QUESTION 22

Did your profits grow, decline or stay the same in the past 3 years?

Response	
It grew	
It declined	

It stayed the same	

QUESTION 23

With reference to question 22, what in your opinion are the main reasons for this? *(Please make a cross (x) by **all** relevant options)*

Response	
More people unemployed	
Economy is bad	
Too much competition	
I improved my marketing	
Cost saving measures	
Other*	

*If other please specify: _____

____

____

QUESTION 24

What marketing are you currently doing in the business? *(Please make a cross (x) by **all*** relevant options)

Response	
Do nothing	
Pamphlets	
Radio	
Newspapers	
Banners	
Social media	
Word of mouth	
Events	
Personal selling	
Other*	

*If other please specify: _____

QUESTION 25

Do you think the township from which you operate is big enough to sustain (make enough money) your business?

Response	
Yes	
No	

Please provide a reason for your answer:

___

QUESTION 26

Should township businesses only focus on the township or also in securing business elsewhere?

Response	
Only in township	
Elsewhere	
Both	

Please provide a reason for your answer:

___

QUESTION 27

Do you see yourself staying in your current business/ or still be in business for the next 3 to 5 years?

Response	
Yes	
No	

Please provide a reason for your answer:

QUESTION 28

If you had to change now what type of business would you start and why?

____

____

Reason:______

SECTION F: RESPONDENT DEMOGRAPHICS

QUESTION 29

Please indicate your age.

Response	
18-25	
26-30	
31-35	
36-40	
41-50	
51-60	
+60	

QUESTION 30

Please indicate your gender.

Response	
Male	
Female	
Prefer not to say	

Thank you for the time you have taken to complete this survey.