

THE EFFECT OF INTENSE COMPETITION FROM WELL ESTABLISHED BUSINESSES
ON POORLY RESOURCED RETAIL BUSINESSES

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Abstract: Data was gathered from 62 traditional retail businesses at Tembisa Township by using a questionnaire to assess and evaluate the extent to which traditional retail businesses are affected by large scale shopping malls. A review of the literature shows that traditional retail businesses used to supply goods, products and services to people who live and work at Tembisa Township before the mid-1990s. Since then, large retailers and shopping malls have opened up shops at Tembisa Township, thereby competing against traditional small scale retail businesses. A significant market share has since been lost to large retailers and shopping malls by traditional small retailers and businesses. The results showed that some of the traditional retail businesses had managed to survive by using innovative marketing and networking techniques. The key attributes of resilient businesses were keeping very close working relationships with their historical customers, comparing selling prices on a daily basis, actively encouraging customers to keep supporting their businesses, opening up their shops earlier than 9:00 AM each day, staying very late in the evening at work, working extended hours, the use of social media platforms, selling on credit and ordering merchandise in bulk and on credit.

Keywords: Tembisa, Traditional retail businesses, Shopping Malls, Competition

Introduction and background to study

Since the early 1990s, well-established business enterprises have opened up businesses in Tembisa Township. Historically, retail businesses used to be provided to residents of the township by retail business traders. Before the 1990s, small scale retail traders used to provide the needs to residents of Tembisa Township with no competition from large businesses. These retail businesses were mostly poorly resourced retail businesses. Since the early 1990s, Tembisa has grown significantly. Its current population size is 463,109 (Statistics South Africa, 2021). As a result, competition from well-established businesses has adversely affected traditional small retail businesses. In this process of attrition, some retail businesses have withered, whereas some traditional retail businesses have remained resilient. The study aims to explore the distinct features and characteristics as well as business strategies of retail businesses that have remained resilient to this day.

Quantitative and qualitative data (Bell, 2022) was gathered from 62 traditional retailers at Tembisa Township. This study attempted to investigate the market share lost to shopping malls established at Tembisa Township since the mid-1990s. Traditional retail businesses used to supply goods, products and services to people who live and work at Tembisa Township before the mid-1990s. Since then, large retailers and shopping malls have opened up shops at Tembisa Township, thereby competing against traditional small scale retail businesses. A significant market share has since been lost to large retailers and shopping malls by traditional small retailers and businesses. The survey conducted by Tshuma (2022) shows that although traditional small retailers make a valuable contribution to the alleviation of poverty and the creation of jobs in townships, they are not supported adequately in terms of finance and entrepreneurial skills.

Jokia, Swanepoel and Venter (2021) have conducted a survey at Tembisa and have highlighted the main reasons why small businesses are reluctant to be formally registered. The main causes are inability to pay tax and inadequate

skills in entrepreneurship. Morole, Yessoufou, Bufo, Rampedi and Modley (2022) have shown that the quality of surface water in informal settlements at Tembisa Township needs to be improved by mobilising the necessary resources. The authors have highlighted the valuable role played by retail businesses in the township. An example of areas in which support is required is access to business loans and skills necessary for successful networking and marketing. Traditional retailers are mostly small in size. The survey aims to investigate the most common causes of failure in traditional retailers and suggest robust strategies that are valuable for offsetting intense competition from well-established businesses.

The survey by Bhebhe and Ngoepe (2022:257-267) shows that small businesses innovate traditional methods of doing business. This leads to lower cost of goods and services. The survey entailed gathering quantitative information from 62 small scale retail businesses at Tembisa Township by administering a structured questionnaire. Perceptions and views held by participants of the survey were measured by using a 5-point ordinal scale. Various questions were posed to participants of the survey in areas that shade light business strategies that are used for coping.

Shopping malls are quite appealing to customers and members of local communities. People enjoy going to shopping malls to see what is on sale. Shopping malls are clean and safe for all customers and have enough parking, toilet facilities and restaurants. Against this reality, small scale retailers need to work much harder to survive and remain profitable. They also need to retain their loyal customers by sending me messages about their offerings and selling prices. While shopping malls have managed to take over more than half of all small scale retail businesses at Tembisa Township, they have not managed to take over all small scale retail businesses. The reason is that there are niche areas, longer working hours, customer relationships, loyalty, marketing strategies, product offerings, networking and social media marketing. These strategies have enabled some of the small scale retail operators to remain profitable at Tembisa Township. Traditional small scale retailers often lack working capital and skills.

The survey by Jokia, Swanepoel and Venter (2021) indicates that some small scale retail businesses have managed to thrive under highly competitive circumstances. Since the mid-1990s, shopping malls have made inroads into South African townships, villages and locations in search of new customers. Competition between traditional retailers and shopping malls has remained at a high level. As a result, traditional small scale retail businesses have been forced to relocate their businesses in rural areas or disappear. Although shopping malls offer a wide variety of products to people conveniently, small scale retail businesses are still needed by people in local communities.

Townships people also benefited from employment and other opportunities which were brought along with the new dispensation. As a result of this transition, townships experienced an exponential escalation of the middle class translating into disposable money which then prompted and enticed the economic planners and big companies to plan for. Originally townships were not only deserted and unserved by the previous government but large retailers did not operate in these areas as they only restricted themselves to suburban and city areas. By the very design of the apartheid regime, township retailing was characterised by limited resources and services and rudimentary setups while suburbs and cities retailing was characterised by advanced infrastructure with modern infrastructure and communication technology (Worku, 2017).

Developments carried out in shopping malls are driven by shareholders. There is pressure from shareholders to promote retail business activities in all shopping malls. For this reason, shopping malls keep expanding their presence to townships. The emergence of large retailers in townships such as Tembisa has resulted in a loss of market share belonging to traditional small scale retail operators. While shopping malls have created formal employment opportunities, and have enabled the South African Receiver of Revenue (SARS) to collect tax fees more efficiently, the development has squeezed small retailers out of business.

The study aims to explore business strategies that are used for competing against well established large scale retail businesses operating out of shopping malls at Tembisa Township. The study shades light on methods and strategies used by small scale traditional retailers to thrive in Tembisa Township.

Literature review

Welman (2021) defines a spaza shop or a tuck shop as an informal convenience shop that is often operated from home. This is done mostly to cut down operational cost. Spaza shops are used commonly to supplement income at

the household level on a daily basis. The main items sold in spaza shops are items that are needed by households in the neighborhood for daily consumption. Spaza shops sell everyday household items at a marginal profit. Spaza shops are operated from residential homes, are based on fixed locations, and render services that are sought by people who live in local communities. Spaza shops are commonly referred to as small retailers because they offer a wide range of goods, products and services that are required in communities on a daily basis for routine survival in close proximity, continuous and affordable basis. By contrast, general retailers function as stand-alone businesses in sections that are set aside for commercial business activities. General retailers render goods, products and services that cover offerings that are usually provided by small capacity retail businesses.

The survey by Niyobuhungiro and Schenck (2021) shows that retail businesses generate high volumes of municipal waste due to their daily business operations. It is possible to work with retail businesses with a view to build capacity in poorly resourced retail businesses so that they can be formally registered and regulated. The main difficulty in this regard is lack of capacity to compete adequately against well established businesses. Intense competition from well-resourced businesses results in a choice for an informal mode of business operation. Intense competition refers to the provision of similar services to clients at a lower cost of service without lowering service level standards and product quality. Intense competition often leads to the duplication of services, goods and products by rival companies.

Sustainability refers to the ability to ensure that productivity can be continued over the long term for future generations. Sustainable entrepreneurship does not depend on imitation and mediocrity, but is a process based on differentiation, agility, risk-taking and endurance. A business that does not differentiate risks losing some advantages in the business. This threatens business sustainability. A slowly operating business will in time fail to match customer needs and expectations. Sustainable entrepreneurship is not a constant dynamic (Petersen&Charman, 2018). A business should withstand pressures of the micro and macro environments. It is only sustainable when it resists the influence of sustained adversity that are borne by unfavourable social conditions, competition, industry regulations, suppliers, employees (and their affiliation) and customers. Therefore, sustainability or sustainable development of a business starts with its survival and it entails continued advancement that leads into the future.

The survey by Charman (2017) shows that small retailers in Ivory Park and Tembisa are facing intense competition from well-resourced formal business enterprises and that poorly resourced small scale retailers are struggling to cope mostly due to lack of financial capacity. The other difficulties are related to networking and marketing. The survey shows the dual nature of retail activities (traditional retail businesses that are poorly equipped and failing to compete profitably and well-resourced large businesses that operate out of well managed shopping malls). Traditional retailers lack the capital, networking and marketing skills as well as retail facilities that are essential for conducting profitable retail trade. Shopping malls are well-protected, neat, safe and secure, and attract customers easily. They also use appropriate marketing and networking skills and historical trade connections that are invaluable for sourcing a large variety of products at an affordable rate. They maintain proper documentation and benefit from discounted rates by manufactures and large scale suppliers and producers. They use modern infrastructure and appropriate marketing, networking and communication technologies. They also use business intelligence and online and digital e-commerce techniques. Relative to large-size retailers working out of Tembisa based shopping malls, traditional township retailers rely on rudimentary retail services and often fail to compete for market share against large operators.

The evolution of large shopping malls in the township areas has however changed the way in which the retail landscape was set by the apartheid regime. The survey by Mkansi, de Leeuw and Amosun (2019) has shown that there is a need for supporting poorly resourced retail businesses at Tembisa Township in terms of providing skills-based training and by granting them with business loans. The authors have shown that poorly resourced retail businesses are unable to compete for market share with well-resourced retailers working out of shopping malls. This is a result of their disadvantaged historical background.

The survey by Lekhanya and Dorasamy (2020:4) indicates that people with previously restricted socioeconomic conditions often find it difficult to compete well against well-resourced large retailers in South African townships, villages and locations. The authors have shown the need for close supervision, coaching and mentoring. The increase in employment of black people or township residents in particular has seen income patterns change in townships as a result. This increase in income levels in the townships prompted multinational or larger retailers to tap into the township arena/market. It also urged and attracted large retailers to capture this steady growing and

maturing market with a view to maximise their profits, grow their market share, increase their national footprint and further to consolidate their market position.

People at Tembisa have access to social grants. These grants play a role in alleviating hunger and suffering at various households that live in poverty. Social grant recipients usually buy on credit from small scale retail operators in townships such as Tembisa. The survey by Van der Zee, Vellios, Van Walbeek and Ross (2020) indicates that the sale of illicit products such as tobacco in South African townships results in a huge financial loss to the South African Receiver of Revenue (SARS). Frustrated retailers resort to illicit retail activities, and the way to discourage this is to provide visible support to struggling retail businesses operating from South African townships. According to the authors, providing close supervision and mentorship to poorly resourced retailers working in townships is vital for helping informal businesses into formally registered and taxpaying retail businesses. While the arrival of shopping malls at Tembisa is good news for customers, the plight of small scale retailers should also be taken into account. These small retailers make a meaningful contribution to society. It is beneficial to let them survive and work profitably along with large retail businesses. The emergence of shopping malls in townships has caused the retail landscape to change fundamentally in favour of large scale retail operators working out of shopping malls. In this particular case, it must be noted that small scale traditional retailers provide livelihood to the poor and create jobs and a daily income to households that live in poverty.

The research by Bvuma and Marnewick (2020:12) indicates traditional small-scale retailers working in townships such as Tembisa often do not have the means to use and benefit from online and digital marketing and e-commerce techniques. They are often poorly networked and poorly connected. They do not attend workshops provided by SEDA and the DTIC. Larger retailers have benefits such as employee benefits for their employees and they bring a more pleasurable and good customer experience through lower and affordable prices for their customers. As a result small township retailers struggle to survive. Better working conditions in larger retailers and increase in economic activities are beneficial for employees and the local market in general. On the other hand, the high failure rate of small retailers is not a good result. Hence, the development of malls together with the evolution of big business in township has had both positive and negative impacts.

Whittaker and Kruger (2019:420-446) have provided a framework for easing the task of securing business loans to poorly resourced retail businesses in townships. The authors have shown the benefits of supporting small scale retailers in townships. Small scale retail businesses make a valuable contribution and have many economic benefits to local communities. Although large malls are more convenient for shoppers, small retailers also play a meaningful role in local communities. The benefits of large malls include employment opportunities, increased and convenient customer experiences and reduction of travel costs. The negative side of large shopping malls is that they restrain growth in small scale retail businesses, experienced from them, however, is on restraining the growth, but disturbingly the destruction perceived to be caused to the survival of the existing township retailers. It is principally this negative impact that prompted the existing township retailers to react tactfully or strategically to this hostile competition presented by the shopping centres and malls locating the big retailers. Small retailers can survive by devising counter measures.

The literature review in this chapter explores the impact of large retailers in a township environment, the causes of failure of traditional township retailers in the wake of mall developments, determinants of successful township retailer and effectiveness of the strategies employed by township retailers in response to the competition presented by retailers in large shopping malls. It gives insight into determinants of weaknesses caused to the traditional township retailers in the midst of large shopping malls development.

In the last decade, the exponential growth of large retailers such as Shoprite, Spar and Pick n Pay has seen the transformation of economic and social landscape in South African townships change or transcend. The evolution of this large and modern retail in townships received a huge welcome from consumers who are profiting from a new revolution buying experience and many other benefits associated with it. However, these developments have been widely condemned by the traditional township business owners. Many businesses had to experience failures and closures as a result of the competition presented by these developments. As such, the arrival and presence of malls caused both positive and negative impacts to different groups of people in these affected areas. This section presents the impacts both positive and negative of evolution of shopping malls to different township structures.

The survey carried out by Dickinson (2017:415-431) indicates that the South African economy evolves on a continuous basis depending on factors that affect the labour market. Employees no longer have guarantees that their jobs are safe enough. The author has given an example from employees working in the South African Post Office. Private companies such as Post Net and courier companies are now competing against the South African Post Office. The study shows that small scale retail businesses are valuable for workers who are forced to give up their jobs for operational reasons.

Several instances of negative impact have been observed mainly towards the owners of the small traditional retailers. The survey by Mojela, Hlongwane and Ledwaba (2018) has shown that people living in South African townships experience food insecurity on a regular basis and that they rely on small scale retail businesses to meet their daily needs. The authors have shown that competition arising from well-resourced shopping malls in townships results in a negative impact on the performance of the spazas and general dealers. Small businesses and retailers are often required to review their methods of business operation in order to survive.

Nnaeme, Patel and Plageron (2022) have pointed out that retail activities carried out in South African townships are highly valuable for sustaining day-to-day life. They are especially good to people who possess low level of skills and education. Spaza shops and informal businesses are a part of life in South African townships, and they are here to stay in the long term. According to the authors, both large shopping malls and small retail businesses will co-exist side by side. Both businesses are needed by local communities for day-to-day living.

Objective of study

The objective of study is to identify business strategies that are used by small scale traditional retail businesses operating in Tembisa Township for coping and survival on a day-to-day basis. The study has the potential for providing useful marketing and entrepreneurial strategies that could contribute for financial viability in small scale retail businesses conducting business at Tembisa Township.

Methods and materials of study

Quantitative data was gathered from a purposive sample of size 62 small scale traditional retail businesses operating in Tembisa Township. A questionnaire was used for gathering data from these traditional retail businesses.

Results of data analysis

Various indicators of resilience are assessed by using a 5-point ordinal scale (Beh & Lombardo, 2021). Each indicator of resilience is measured by using 5 possible values. That is,

- 1. Strongly disagree
- 2. Disagree
- 3. Not sure
- 4. Agree
- 5. Strongly agree

Table 1: Assessment of resilience in retail businesses (n=62)

Indicator of resilience	SD	D	NS	A	SA
I see well-established businesses in a shopping mall as a threat to my business	8%	8%	51%	26%	7%
I check selling prices in shopping malls on a daily basis	1%	4%	30%	40%	25%
My business stays open for longer hours	2%	3%	30%	41%	24%
My business opens for business earlier than 9:00 AM each day	2%	3%	32%	38%	25%

I sell goods on credit to my customers	2%	4%	30%	39%	25%
I market my goods, products and services to my old customers	3%	4%	30%	39%	24%
I have the contact details of my old customers	1%	3%	29%	41%	26%
I encourage my old customers to support my business	2%	4%	29%	40%	25%
I can order merchandise in bulk and on credit from wholesale suppliers	2%	5%	27%	41%	25%
I use social media for networking and marketing	2%	3%	33%	37%	25%
I use online platforms for doing business	2%	3%	26%	44%	25%
I have attended at least one training session given to emerging businesses by employees of SEDA or DTI	7%	8%	50%	27%	8%
I am capable of writing a business plan for my business	6%	9%	48%	29%	8%
I am capable of producing an audit report for my business	5%	10%	55%	24%	6%
I have managed to secure a business loan from a commercial bank at least once in the past	4%	11%	44%	32%	9%

Discussion of results

The results displayed in Table 1 indicate that most of the 62 small scale retail businesses are coping fairly well. The results show that the 62 retail businesses are committed enough to stay in Tembisa, and have learned valuable lessons on what business strategies they need to follow in order to survive. The table shows that the key attributes of resilient businesses are keeping very close working relationships with their historical customers, comparing selling prices on a daily basis, actively encouraging customers to keep supporting their businesses, opening up their shops earlier than 9:00 AM each day, staying very late in the evening at work, working extended hours, the use of social media platforms, selling on credit and ordering merchandise in bulk and on credit.

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