Supplier selection criteria used by independent retailers in Johannesburg, South Africa

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Abstract

The purpose of this paper was to investigate how small independent retailers select their suppliers. Retailers are in the business of buying and selling. What they buy determines their success. It is important to understand how they select their suppliers and the impact this has on their success. A survey was conducted among 102 independent retailers in Soweto, Johannesburg, South Africa. A convenience sampling method was used owing to an inaccessible database of independent retailers in the region. Findings of the study revealed that independent retailers buy from the wholesalers. The majority of the retailers have been inexistence for about five years. Independent retailers rated product quality, cost and delivery time as the most important supplier selection criteria. The Anova results proved that supplier selection criteria do not differ across sales revenue. However, the significant differences were found across gender, age group and how long the business has been in operation.

Introduction

Small independent retailers are increasingly under pressure due to competition from large retailers. They are losing customers to major retailers in SA since customers are spending less in independent stores compared to large retailers (Durhum, 2011). Major retailers in SA have also increased their market penetration and have also increased marketing efforts through brand promotion and advertising (Durham, 2011). The penetration of large retailers into townships, peri-urban and rural areas has affected small, informal and independent retailers, leading to a decrease of these retailers, with some of these retailers experiencing a decline in profitability (Department of Economic Development, 2015). Small independent retailers, therefore, need to determine their competitive advantage in order to survive. One way in which independent retailers can formulate a competitive advantage is through supplier selection.

The aim of supplier selection is to improve the performance of suppliers in order to prevent risks and improve cooperation. Selecting the right supplier also plays a key role within a business since it can reduce unit prices and improves corporate price competitiveness (Ting & Cho, 2008). Supplier selection has a major impact on the quality of goods and performance of a business. It is also crucial because suppliers have a direct impact on quality, cost, delivery reliability, availability of products and lead times of new products (Luo, Wu, Rosenburg& Barnes, 2009:249; Pearson &Ellram, 1995). For retailers, supplier selection means that they buy goods and services that are in demand and can generate profitability for their businesses.

Independent retailers in South Africa (SA) fall into the Department of Trade and Industry's definitions of small, medium and micro enterprises (SMMEs) as outlined by the National Strategy for Small Business Development (the Department of Trade and Industry, 1996). The small medium and micro enterprises (SMMEs) generally are referred to as the SMEs globally and in this study, they will also be referred to as the SMEs. SMEs play a vital role in the economic development of a country (Muhammed, Char, Yasoa& Hassan, 2010) and fulfill a number of roles ranging from poverty alleviation and employment creation to international competitiveness (Nieman, Hough &Nieuwenhuizen, 2003). SMEs have become a critical solution for improving and developing the standard of living in South Africa owing to the low economic growth, high unemployment and an

unsatisfactory level of poverty in South Africa, particularly in the rural areas (Lekhanya, 2010). Usually SMEs are defined in terms of employment or turnover that they generate. SMEs also are defined as firms with fewer than 250 employees or an annual turnover of approximately R 300 million. Over 90 percent of all firms (including listed companies) in South Africa are classifiedd as SMEs. Therefore, it is accepted that SA businesses with an annual turnover of less than R 50 million should be classed as SMEs (Blueprint Strategy & Policy, 2005).

The SA economy is dominated by small, medium and micro firms (Sawers, Pretorius &Oerlemans, 2008), which largely are associated with economic empowerment, job creation and employment within disadvantaged communities. According to Kongolo (2010), SMEs account for almost 91 percent of businesses and contribute 60 percent towards the country's employment and 51 to 57 percent towards the gross domestic product (GDP). However, 70 percent to 80 percent of SMEs fail within three years (Van Eeden, Viviers & Venter, 2003). Since independent retailers face severe competition from large retailers, their ability to select suppliers could create an advantage for their businesses.

Problem statement

The number of independent retailers in SA has been declining due to expansion by large retailers to the townships, peri-urban and rural areas. Independent retailers' customers have also been eroded by the expansion of the major retailers to township, rural and peri-urban areas (Global Agricultural Information Network, 2011), thus impacting on survival of the independent retailers. Large retailers are now accessing markets previously served by independent retailers, which is leading to the disappearance of the small independent retailers (Ravhugoni & Ngobese, 2010). Since supplier selection determines business performance (Kannan & Tan, 2002) which requires that particular attention be given to the purchase of products and their associated services, the question is 'How do independent retailers select their suppliers?'

Objectives of the study

The objectives of this research are threefold:
- To determine the supplier selection criteria of independent retailers in South Africa
- To determine if supplier selection criteria differ across sales revenue of independent retailers
- To ascertain if supplier selection criteria differ across demographic factors such as age, gender and length of operation of the business.

Literature review
Independent retailers in SA

Independent retailers are privately owned businesses that do not belong to a larger chain (W&R Seta, 2011). They are small businesses targeting lower living standard measure (LSM) customers in peri-urban, township, industrial and central areas of the city. They include food and non-food retailers such as cash-and-carry that have both wholesale and supermarket offering. They also include the spaza shops, spazarettes and superettes. There are over 100 000 informal stores in SA. They stock fast moving items and operate at very low profit margins (das Nair & Dube, 2015). Wholesalers, traditional spazas (independent retailers in largely African townships and suburbs), tuck shops and small independent retailers hold the remaining market share (Italian Trade Agency, 2013). Independent retailers emerged as a result of the colonisation that demarcated shopping and residential zones for minority citizens and black majority citizens, which created opportunities for black entrepreneurs to establish businesses to serve their communities (Chikwekwe, 2015).

The SA retail market is the biggest retail market in Africa and was rated 24th on A.T. Kearney's 2010 Global Retail Development Index (GRDIAfrica) due to its wide array of shopping malls and retail developments (Thomas White, 2011). A small number of major retail and consumer goods companies dominates the retail market in SA. The four largest retailers in the country are Shoprite, Pick n Pay, Spar and Woolworths (Italian Trade agency, 2013). These retailers constitute a

combined 60 percent market share but make up only 2 percent of all food retail outlets (Italian Trade Agency, 2013). Shoprite is the biggest grocery retailer by market share (PWC, 2012). The major supermarkets have presence in the urban and rural areas and continue to open new stores in these areas. This has created severe challenges for small independent retailers. Shoprite and Pick 'n Pay are competing head to head on price and shopping experience. Shoprite and Spar are strong in predominantly black areas while Woolworths is stronger in small up market areas (Global Agricultural Information Network, 2011).

Independent retailers target low-income consumers and are a means through which small suppliers can enter into the supply chain. Recent trends in the independent grocery retail industry suggest that it is growing again (through foreign ownership) after facing a sharp decline in the late 90s/early 2000s. Independent retailing represents an alternative model of entry for small players in the supermarket industry as opposed to the traditional supermarket chain model. For entrance into grocery retail, buying groups who buy in bulk, on behalf of independent retailers, can significantly reduce the barriers to entry identified above (scale and scope barriers; advertising cost barriers; investing in building retailers' capabilities etc. (das Nair & Dube, 2015).

In South Africa, estimates suggest that the modern retail industry accounts for approximately 70 percent of national retail markets and supermarkets are an important source of supply in the retail food sector (Standard Bank, 2014). As mentioned, this has historically put pressure on and displaced independent retailers (both formal independent supermarkets and spaza shops), although it appears that this trend may be changing as independent retailers find alternative methods to benefit from economies of scale.

The SA retail sector is composed of the formal and informal sector. The informal sector consists mainly of spaza shops, hawkers and street vendors, which are found in townships. They are served mainly by the wholesale market. The food and groceries market constitute 22.5 percent of the informal or independent retailers, which supply 81 percent of households in SA. The informal and independent retail market grew 45 percent from R79.5 billion in 2010 to an estimated R115.6 billion in 2013 (Sustainalytics, 2012; W&R Seta, 2011). The success of independent retailers will depend upon the suppliers they select as well as criteria they use to select these suppliers.

Supplier selection criteria

A retail buyer selects items to be sold and stocked in a store and is directly responsible for selecting and ordering merchandise sold to final-end consumers (Robinson, 2012). Therefore, retail buying affects the performance of a retail store. For instance, if the merchandise selected does not sell well, the financial performance of the business and thus, its survival, will be affected. Since retail buyers are responsible for buying products and services, the costs that they incur when buying these products and services affect profit, making retail buying one of the strategic functions within a retail store (Kahranman, Cebeci & Ulikan, 2003).

Since retail buyers make decisions on what merchandise to buy, they also analyse, plan, acquire and control merchandise and determine how much to spend on each item (Fairhurst & Fiorito, 1990:88). The success of a retail store depends on the ability of a retail buyer to choose a merchandise/product mix that will attract end consumers into the store and persuade them to buy, leaving them satisfied with the merchandise/product. Buying incorrect merchandise/products can have negative consequences for the retailer's reputation and economic performance, which makes retail buying a matter of strategic importance (Bruce & Daly, 2006). Retail buyers are also responsible for deciding how they will buy their merchandise which involves deciding on the process to follow as well as the supplier selection criteria that will be employed when evaluating the suppliers (Fairhurst & Fiorito, 1990).

Supplier selection has been the subject of investigation by many researchers (Lin & Wu, 2011; Kim & Boo, 2010; Kahranman et al., 2003; Da Silva, Davies & Naude, 2002). Researchers of supplier selection have focused on various sectors, types of businesses as well as businesses of different size.

Businesses buy goods and services for production and operational purposes. Small retailers have fewer variations in supplier selection criteria than large retailers since small retailers might buy products from a wholesaler. The total number of suppliers is also greater for retailers compared with manufacturers.

Supplier selection entails the evaluation of potential suppliers and making a selection from among the suppliers being evaluated. It involves broad comparisons of common sets of criteria, where suppliers are evaluated for their ability to meet these criteria (Kahraman *et al.*, 2003). Furthermore, supplier selection involves making decisions on matters such as the selection of individual suppliers and the determination of order quantities that must be placed with the selected suppliers (Xia & Wu, 2007). Supplier selection entails identifying the attributes, criteria or factors relevant to the decisions and helps to measure each supplier according to each relevant criterion or factor. Supplier selection criteria are generated either prior to selection or whenever the supplier selection decision has to be made and these determine which supplier will be selected. Suppliers are evaluated against the set criteria and those that closely match the criteria are then selected. Supplier selection criteria are developed looking at the retailer's needs and the demands they have to meet in the market and are listed based on the assumption that all potential suppliers will meet the stated criteria (Bhutta & Huq, 2002).

Supplier selection criteria must be tailored and differs from one type of purchasing situation to another, as well as from one business to another (Webster & Wind, 1996:57). It must be tailored to meet the needs of specific retailers, who depend on the information available about the industry (Luo *et al.*, 2009). The most common supplier selection criteria are cost, quality and delivery. However, as businesses strive to remain competitive, they adapt their selection criteria to match the changes taking place in the market. This means that supplier selection criteria are not constant but changes from time to time.

A study investigating the supplier selection criteria of Chinese supermarkets found that product quality, supplier reliability and policy regarding returns/handling complaints were most important with the well-known brands, market promotion support and products packaged according to the retailers' requirements being the least important criteria (Hansen, 2001). Supplier selection criteria were found to differ for different products sold within the supermarkets, in different supermarkets and in different sizes of supermarkets. Sternquist and Chen (2006) observed that price was an important criterion for food retailers, while Hansen and Skytte (2006:121-2) noted that long-term relationship with retailers, traceability, presence on various markets and sufficient quantities were most important.

Lin and Wu (2011) listed, in order of importance, procurement price, product quality, product consistency, food safety, product return and complaints policy, quantity discount and allowance and on-time delivery as important criteria for supermarkets. Da Silva, Davies and Naude (2002) identified, in order of importance, quality, delivery time and cost as the most important criteria. Makhitha (2013) found that craft retailers value quality as the most important criteria followed by product is exciting, product styling and design, product distinctiveness/uniqueness, the supplier's willingness to cooperate with retailers and the product's sales potential.

A major part of supplier selection is determining the criteria of supplier selection. Owner managers must decide on the supplier selection criteria before the buying process can began. A supplier can satisfy a customer's expectations through delivery at the right place, by providing superior sales support, by dealing with customer complaints timeously and by providing after-sales service such as maintenance, repair, training and spares (Ng, 2010). This requires that suppliers adapt quickly to different needs and developing new products (Hugo &Badenhorst-Weiss 2011). Supplier flexibility will affect the level of buffer stock the retailer carries (Chopra &Meindl, 2007).

Small businesses must select adequate suppliers to ensure that they are buying the right product at the right time, right price and right quantity. According to Naude, (2014), the distance

between the buyers and their suppliers can have an impact on the timeous delivery of goods, transportation and logistical costs, flexibility with regard to the frequency of deliveries and service levels. Small businesses may also benefit economically by buying from local suppliers (Leenders, Johnson, Flynn & Fearon, 2006). Businesses can gain competitive advantages through choosing the right supplier (Agarwal, Sahai, Mishra, Bag & Singh 2011:801). Retail buyers emphasize rational criteria (financial, marketing and logistical criteria) that have a direct impact on the large food retailer's financial results (Abbad & Paché, 2013).

Research methodology

The study targeted small independent retailers in Soweto and Johannesburg city centre in SA. Johannesburg is the largest city in SA. The Soweto Township is the largest township in Johannesburg and is an amalgamation of several different townships. Over 43 percent of the population of the city of Johannesburg lives in Soweto in 2004 (Ligthelm, 2008). Soweto was incorporated into the Greater Johannesburg Metropolitan area in 2001. Shopping centre developments have taken place in Soweto, including one regional shopping mall − Maponya Mall. Such development is part of 2005 Soweto Retail Strategy, a Soweto Development Initiative and the Township Development Programme for Soweto in 2002. The development of shopping malls in Soweto and other townships created challenges for small businesses in the area since these small independent retailers have to compete with retail chains too. Independent retailers selling different types of products were considered for the research.

A convenience sampling method was adopted owing to lack of access to a database of independent retailers in Johannesburg, SA. Convenience sampling is a sampling method that allows a researcher to choose whoever is available at a lower cost (Cooper & Schindler, 2006).

Data were collected using two fieldworkers who were trained prior to data collection. The questionnaire was pre-tested with 20 independent retailers. Feedback from the pilot test was used to adapt the wording of the questionnaire. The questionnaire was of self-completion nature. Fieldworkers distributed the questionnaires to independent retailers who were responsible for completing the questionnaire. Over 200 questionnaires were distributed; however, only 102 of them were completed, yielding a 52 percent response rate. This was due to the lack of willingness from independent retailers to participate in the study. The questionnaire was designed using information collected from the literature on supplier selection and studies focusing on independent retailers. There were 22 supplier selection criteria listed on the questionnaire. A Likert scale was used to determine the supplier selection criteria independent retailers use when selecting their suppliers with extremely important=5 and not important at all=1. There were 14 demographic questions listed on the questionnaire.

Data were analysed using SPSS version 24. Descriptive statistics and ANOVA tests were conducted and the results are reported and discussed in the next section. ANOVA is a statistical analysis used to test the differences between two means (Sudman & Blair, 1998) and helps estimate group differences based on their group means. Where the estimates of scores and means do not differ significantly, it is assumed that all the group means originate from the same sampling distribution of means, indicating that the observed differences are due to sampling and not because the grouping variable has an effect in the population. Where the group means differ significantly, it can be concluded that the group means were drawn from the different sampling distribution of means and the null hypothesis that all pairwise means differences are zero can be rejected (Tabachnick & Fidell, 2001). A significant ANOVA result indicates that at least one pair of means differs significantly and, therefore, posthoc tests can indicate the pair or pairs that differ significantly (Hair, Black, Babin & Anderson, 2010).

Results and discussion
Descriptive statistics

The majority of respondents were male, constituting about 60 percent of the sample (N=61). Most of the respondents fall in the 30-40 age group as indicated by 30.4 percent of the respondents (N=31) followed by those between 41-50 years with 29.4 percent (N=30) of the sample. The respondents consist mainly of those who have completed Grade 12/matric, represented by 51 percent of the sample (N=52) followed by those with a diploma or certificate (27,5 percent, N=28).

Most of the retailers have been in operation for between one and three years as shown by 38.2 percent (N=39) of the responses followed by those who have been in operation for between three and five years, represented by 31.4 percent of the population (N=32). The owner-managers are in most cases the respondents, as shown by over 70 percent of responses (N=72). Retailers sell a variety of products, however, the majority of them sell groceries (66.7 percent, N=68) followed by those selling clothes (11.8 percent, N=12).

The owner-managers are involved in buying (62.7 percent, N=64) as compared to managers (26.5 percent, N=27). Retailers buy from fewer suppliers. 84.5 percent of respondents buy from 1 to 10 suppliers and very few of them buy from more than 20 suppliers. Buying form fewer suppliers is important for them to build relationships with their suppliers. The majority of independent retailers buy from wholesalers as represented by 64.7 percent (N=66) of retailers followed by those buying from the manufacturers (22.5 percent, N=23).

Retailers tend to make use of computers as shown by 75.5 percent (N=77). Most of the retailers are small businesses generating sales revenue of between R100 000 and R400 000 (35.3 percent, N=36) followed by those generating less than R100 000 sales per year (28.4 percent, N=22). The third group of independent retailers generate sales of between R400 001 and R900 000 as shown by 21.6 percent of the population. This shows that majority of independent retailers and micro and very small businesses as defined by Department of Trade and Industry (1996).

Table 1: Descriptive statistics: Mean and standard deviation

Criteria	Not important at all	Slightly important	Moderately Important	Very Important	Extremely important	Number of respondents (N)	Mean (M)	Standard deviation (SD)
Product quality	0.0%	2.0%	2.9%	22.5%	72.5%	102	4.66	.637
Total cost of buying the products	0.0%	1.0%	6.9%	41.2%	51.0%	102	4.42	.667
Delivery time – deliver on time	0.0%	2.0%	3.9%	20.6%	73.5%	102	4.66	.652
Meet customer specification	0.0%	1.0%	8.8%	21.6%	68.6%	102	4.58	.696
Supplier reliability	0.0%	2.0%	7.8%	40.2%	50.0%	102	4.38	.718
Supplier's experience (time on market)	2.9%	4.9%	15.7%	38.2%	38.2%	102	4.04	1.004
Supplier provides transportation	5.9%	6.9%	17.6%	33.3%	36.3%	102	3.87	1.158
Responsiveness to my requests	1.0%	0.0%	14.7%	40.2%	44.1%	102	4.26	.783
Relationship with the supplier	1.0%	4.9%	16.7%	31.4%	46.1%	102	4.17	.945
Supplier assist us with using the product – product support	2.0%	2.0%	19.6%	47.1%	29.4%	102	4.00	.867

Criteria	Not important at all	Slightly important	Moderately Important	Very Important	Extremely important	Number of respondents (N)	Mean (M)	Standard deviation (SD)
Supplier can deliver in sufficient and correct quantity	1.0%	2.9%	10.8%	32.4%	52.9%	102	4.33	.860
Supplier accepts product returns	5.9%	7.8%	11.8%	29.4%	45.1%	102	4.00	1.194
Suppliers are up to date with trends and developments	2.9%	6.9%	11.8%	30.4%	48.0%	102	4.14	1.063
Supplier introduce new products from time to time	2.0%	6.9%	10.8%	32.4%	48.0%	102	4.18	1.009
Supplier provides promotional support	4.9%	3.9%	5.9%	39.2%	46.1%	102	4.18	1.048
Products will sell	2.0%	2.9%	12.7%	27.5%	54.9%	102	4.30	.942
The selling history of the suppliers' products	2.9%	4.9%	21.6%	35.3%	35.3%	102	3.95	1.018
Willingness to negotiate prices	2.9%	3.9%	8.8%	36.3%	48.0%	102	4.23	.974
Offering low prices	8.8%	4.9%	19.6%	17.6%	49.0%	102	3.93	1.299
Supplier who share information with us	3.9%	4.9%	7.8%	33.3%	50.0%	102	4.21	1.047
Geographical location of the supplier	2.9%	2.0%	11.8%	42.2%	41.2%	102	4.17	.924
Price is the most important criteria for us when buying	0.0%	1.0%	8.8%	26.5%	63.7%	102	4.53	.699

Independent retailers consider product quality, cost and delivery time as the most important supplier selection criteria, as shown by the high percentages of those who found these criteria very important and extremely important. For example, product quality was rated by 95 percent of the respondents as very important and extremely important while cost was rated by 92 percent of the respondents who considered it as very important and extremely important. Furthermore delivery time was rated by 94 percent of respondents as very important and extremely important. The existing literature on supplier selection criteria has indicated that product quality, delivery and cost are the key criteria used to assess the performance capabilities of suppliers. Literature has also indicated that these key buying criteria differ across product categories (Sen *et al.*, 2008) and types of retailers (Hansen, 2001). Lin and Wu (2011) studied the supplier selection of supermarkets in Taiwan and found that price, product quality, product consistency and food safety were the most important criteria used to select suppliers. Price was also listed by Sternquist and Chen (2006) as one of the most important criteria used by food retail buyers when selecting suppliers, while Dandeo, Fiorito, Giunipero and Pearcy (2006) listed product quality and price as the most important criteria. Naude (2014) found that SMEs rate pricing, quality, on-time delivery and reliability as the most important supplier selection criteria while Monczka, Handfield, Giunipero, Patterson & Waters (2010) identified cost, quality, flexibility, reliability and environmental issues as the most important supplier selection.

The criteria supplier provides transportation is the least important criteria as shown by 69.6 percent of respondents who rated not important at all and slightly important. This implies that independent retailers do not prefer suppliers because they provide transportation.

Factor analysis

Factor analysis was conducted with the purpose to condense the information in a number of original variables into a smaller set of new, composite dimensions or factors, with a minimum loss of information. Factor analysis allows the researcher to search and define the fundamental constructs or dimensions assumed to underlie the original variables (Hair*et al*., 2010). The factor loadings with a value larger than 0.5 generally are considered as loading highly, while those that load less than 0.5 are usually ignored (Sudman & Blair, 1998). However, Hair *et al*. (2010) consider factor loadings of 0.30 acceptable depending on the sample size (Field & Miles, 2010).

After stablishing that the factorability of the correlation matrix, principal component analysis using Promax rotation with Kaiser normalisation was used and resulted in a factor solution consisting of five constructs that explained 56.40 percent of the variance. As guided by Kim and Mueller (1978), the threshold of 0.41 to 0.72 was maintained on the communalities, as well as a cut-off point of 0.30 on the Pearson's correlations. This resulted in two items being dropped from factor analysis after they loaded unsatisfactorily in the initial scale refinement procedure, suggesting that those items may be incapable of differentiating between factors. Table 2 shows 20 items and five factors/components. Four items loaded on the first factor, which was named price. Five items loaded on the second factor, named supplier support, four items loaded on the third factor, named delivery, cost and delivery. The last two factors were named reputation and reliability with five and two items loading on them respectively. The last factor consisting of only two items were investigated and no support for keeping it as such were found and leaving these two items out of the analysis did not result in a feasible solution. Thus, because they contribute to the factor solution, these items will individually be treated as part of the solution.

The reliability analysis yielded a Cronbach alpha of 0.79 for all the five constructs. The individual Cronbach alpha of each construct yielded was between 0.54 and 0.719. According to Malhotra (2010), Cronbach alpha coefficients of less than 0.50 are deemed unacceptable; those between 0.50 and 0.69 are considered as being adequate, whereas those above 0.70 are regarded as being acceptable in social science enquiry.

In order to determine whether annual turnover has an effect on the importance attached to the selection criteria, the Kruskal-Wallis test, a non-parametric one-way analysis of variance (ANOVA), was used. Non-parametric tests were indicated due to preliminary distribution analyses indicating that the assumptions of normality, linearity and homoscedasticity were violated to varying degrees by the independent variables. The Kruskal-Wallis test did not find any significant pairwise differences in the mean ranks of the different turnover groups with respect to any of the extracted factors.

The non-parametric Mann-Whitney U test was used to examine the effect of gender on the importance attached to the different selection criteria constructs. In the case of price, the gender was found to have a statistically significant effect on the importance attached to it, z = -2.462, p < .05. More specifically, males (MR = 57.36, n = 61) consider price to be more important than females do (MR = 42.78, n = 41).

The non-parametric Kruskal-Wallis test was used to investigate the effect of age and how long the businesses have been in operation on the importance attached to the selection criteria constructs.

Age has a significant effect on the importance attached to the price selection criteria construct ($\chi^2(4) = 14.958$, p = .005), while how long the businesses have been in operation has a significant effect, although reasonably marginally, on the customer support ($\chi^2(4) = 10.414$, p = .034) selection criteria construct. Both the 25 to 29 (MR = 38.83, n = 15) and 30 to 40 (MR = 40.15, n = 31) year age groups differ significantly from both the 41 to 50 (MR = 57.87, n = 30) and 51 to 59 (MR = 68.68, n = 17) year age groups with the younger respondents attaching less importance to price than the older respondents do. The pattern of difference is also clear in the fact that the importance score for price

increases with age in the 25 to 59 year old respondents. Even though the importance that 20 to 24 year old respondents attach to price as a selection criterion do not differ significantly from the importance attached by any other age group, it is interesting to know that their importance score (MR = 52.56, n = 8) for price does not fit into the pattern of increased scores with increased age.

Table 2: Factor analysis

	Factors				
	1-Price	2-Customer support	3-Quality, cost and delivery	4. Reputation	5. Reliability
Willingness to negotiate prices	.782				
Offering low prices	.773				
Supplier introduce new products from time to time	.720				
Supplier provides promotional support	.545				
Supplier accepts product returns		.814			
Supplier can deliver in sufficient and correct quantity		.661			
Responsiveness to my requests		.624			
Suppliers are up to date with trends and developments		.519			
Supplier assist us with using the product – product support		.496			
Product quality			.771		
Delivery time – deliver on time			.692		
Supplier who share information with us			.656		
Total cost of buying the products			.523		
Supplier's experience (time on market)				.765	
The selling history of the suppliers' products				.698	
Supplier provides transportation				.606	
Products will sell				.538	
Geographical location of the supplier				.435	
Meet customer specification					.797
Supplier reliability					.574
Percentage of variance = 56.40	22.33	10.63	9.40	7.31	6.67
Eigen value	4.46	2.12	1.89	1.46	1.33
Factor reliability = .799 for all factors	.0719	0.731	0.604	0.644	0.514

Regarding how long the businesses have been in operation, both the less than one year (MR = 45.45, n = 11) and between one and three years (MR = 47.94, n = 39) groups differ significantly from the between five and ten years (MR = 76.76, n = 10) group with respondents with younger businesses attaching less importance to the customer support selection criterion than the respondents with more established businesses.

Recommendations and managerial implications

The conducted research established that independent retailers need to change their buying behavior. The fact that majority of them buy from wholesalers could disadvantage them over their competitors. They are competing with major retailers for the customer's share of the wallet and, therefore, need to be competitive. These competitors buy in large volumes from suppliers and are able to negotiate lower prices. Independent retailers can survive by joining a buying group for independent retailers. According to Ravhugoni and Ngobese (2010), there are buying groups in South Africa that buy on behalf of independent retailers that are members of the group. Independent retailers can benefit from group buying and can create an advantage for them to compete on prices compared to competitors since consumers buy from independent prices due to their ability to lower prices.

It is interesting noting that independent retailers do not rate the criteria 'product will sell' highly. A study by Makhitha (2013) found this criterion to be among the ten most important criteria for retailers selling hand-made products. Since retailers are in the business of buying and selling, what they buy impacts on profitability in that they cannot buy a product that does not sell and expect to make profit of it. It is important that this criterion be considered by independent retailers. This can be achieved by studying the needs of consumers and buying products that will meet the needs of these consumers.

Government could also play a role in providing assistance in terms of funding and other support systems needed by independent retailers. Lack of finance has been cited in many studies as one of the main challenges facing small businesses. Government could also formulate an appropriate policy intervention to regulate the retail trade, especially the grocery trade in which the majority of independent retailers in Soweto specialise. The purpose would be to regulate entry into these areas that has a negative impact on the survival of the independent retailers. The regulation should lead to a situation that allows both businesses to survive.

The conducted research also advices that independent retailers could also attend training on business management, marketing and finance to enable them to manage and run their businesses effectively.

Conclusion

The conducted research indicated that independent retailers rate product quality, cost and delivery time as the most important criteria when selecting suppliers. These findings are similar to those of existing studies that investigated supplier selection criteria. There were no significant differences found across the sales revenue of the independent retailers. However, significant differences were found across gender, age groups and how long the business has been in operation, which proved that owner-managers across different age groups consider different supplier selection criteria. Male owners considered price more important than females did. With regard to how long the business has been in operation, groups differed significantly with younger ones attaching less importance on customer support than those with established businesses. The conducted research concludes that independent retailers buy from wholesalers, which disadvantages them since they compete with major retailers that buy directly from manufactures and can negotiate prices due to the volume of buying.

The main limitation for this study was that it focused on independent retailers in Johannesburg. The study also adopted convenience sampling due to the unavailability of a database

of independent retailers in Johannesburg. The findings of this study cannot be generalised to all independent retailers in SA. Another study could investigate independent retailers from other provinces. Other studies could also investigate the attitudes of consumers towards buying from independent retailers compared to large retail stores to determine areas of improvement for independent retailers.

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