

## Differences between migrant owned and locally owned small business retail stores: the case of Delft and Eindhoven

Maphelo Malgas  
Wellington.B. Zondi

University of KwaZulu-Natal, South Africa

---

### Keywords

Foreign national trader, Informal retailing, Migrant small business retailer, Spaza shops, South African trader, Townships retailing, Migrant traders

---

### Abstract

*This study aims to identify the core competitive factors that differentiate migrant owned small business retail stores from those that are owned by South African citizens. Primary research was conducted in two of Cape Town's townships, Delft and Eindhoven. Data was collected through focus group interviews with open-ended questions. The findings revealed that South African citizen retailer's lack funding to start or expand their businesses, they do not collaborate among themselves, and they lack pricing strategy. The findings also revealed that migrant small business retailers have strong business networks that enable them to collaborate in a number of business-related issues such as the buying of stock and they have networks that help them raise finance for their businesses. The researcher notes that there are agencies such as the Small Business Development Agency (SEDA) that aim to help Small and Medium Enterprises (SMME's) but such agencies deal with all types of SMME's. There is a need for a targeted support for the small business retail sector as it is a very unique sector in the South African small business market. The challenges faced by local small business retailers are unique when compared to those faced by their migrant trader counterparts. The foreign national small business retailers are more competitive than local South African small business retailers in the township retailing sector. The study recommends that the South African government department of Small Business Development should assist the South African citizen owners of small retail businesses to improve their competitiveness.*

---

Corresponding author: Maphelo Malgas

Email addresses for the corresponding author: Malgasma@cput.ac.za

First submission received: 14<sup>th</sup> March 2019

Revised submission received: 12<sup>th</sup> August 2019

Accepted: 30<sup>th</sup> August 2019

---

### Introduction

In South Africa informal small business retailers are mainly found in township environments and the township residents buy from these informal retail stores known as "spaza shops". In South Africa townships are residential areas predominantly occupied by the black population as previously designated by apartheid legislation until the dawn of democracy in 1994. South African townships were dominated by general dealer stores until the development of the shopping Malls in the township areas. In fact, it could be argued that the shopping Malls have led to the displacement of the general dealer stores and the rise of the "spaza shop" as township residents can now simply walk to a Mall which has a variety of offerings. Malls are dominated by national food chain franchises such as, Pick & Pay, SPAR or Shoprite where people can buy fresh products cheaply and the ambience of the Mall is far more attractive than your spaza shop. Residents then use the "spaza shop" as a convenience store when the Mall is yet to open in the morning or has closed in the evening. There were no spaza shops established during the apartheid years, long before the mushrooming of the Mall.

During the early period of post democratic era in South African the "spaza shops" were solely owned by South African citizens who reside in the townships. However, this changed when South Africa experienced the influx of African and Asian migrants who also found residence in the South African townships as South Africa never had camps or separate accommodation for migrants. Currently in the

South African township environments there is a perceived decline of South African citizen owned “spaza shops” and the dominance of Migrant owned “spaza shops”.

The South African context for small business retailing is very challenging in the sense that the government does not seem to be aware of the correlation between the growth of the small business sector and the creation of employment opportunities (Badenhorst-Weiss, Cilliers and Eicker, 2014). Furthermore, the authors noted that the government is heavily focused on developing the big business sector instead of opening and creating the market conditions for small businesses to thrive. The authors further stated that the small business owners face a unique challenge because they need to constantly and consistently explain their importance and existence in order to receive some attention from the authorities. So, for small businesses to survive, they need to fend for themselves under market conditions that are favourable to them as a sector and within that they also need to compete with each other for business opportunities (Badenhorst-Weiss et al, 2014). According to Bowen, Morara and Mureithi (2009: 26) “it is appreciated that each business has its own unique combination of critical success factors, but some are important for all businesses”. Bowen et al (2009: 26) further noted that:

“First small businesses should have a ‘global outlook’. Businesses of all sizes across the globe can interact and share information, technology and products. Small businesses should consider what global trends are affecting availability of resources, increasing or decreasing demand for products or service and where there is an unfilled need one might be able to meet”.

The aim of this article therefore is to understand the competitive factors among South African citizen owned small business retail stores and those owned by migrant retailers in the South African township retailing environments. In this paper recommendations for South African citizen owned small business retail stores are proposed in order for the South African retailer to become better competitive in the sector. The article addresses the following objectives:

To identify core competitive factors that differentiate migrant owned small business retail stores from South African citizen owned small business retail stores.

To propose recommendations for South African citizen owned small business retail stores to improve their competitiveness.

## Literature Review

### 2.1 Competitiveness in the small business retailing sector in South Africa

The survival rate of small businesses is known to be very low with only less than half of small businesses surviving beyond five years and this phenomenon is not only applicable to South African context but true for global contexts (Brink, Cant and Ligthelm, 2003). Nandonde and Kuada (2016) argued that the South African economy has witnessed a substantial shift in consumption centres from the urban developed economies to the emerging township economies. This shift has introduced new dynamics into the local marketing strategies, with companies having to adjust their strategies to new and hitherto unknown realities (Nandonde and Kuada, 2016). Furthermore, the authors noted that the growing populations in the township retailing environments have provided new market opportunities for retail companies facing saturation in their traditional markets.

Strydom (2015: 466) noted that “informal businesses that keep track of business activities such as financial records, do budgeting, prepare cash flow statements and have procurement documentation have a higher proclivity for survival”. It is estimated that only about 50% of new entrant spaza shops really survive to beyond five years and those who survive enjoy sustainability over time (Battersby, Marshak and Mngqibisa, 2017).

Porter (2008: 80) noted that “new entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete”. However, in developing countries the lack of institutional capital is a major challenge for small businesses as they are started through personal funds (Adisa, Abdulraheem and Mordi, 2014). Furthermore, the authors noted that institutional finance requires collateral security which small business owners do not have in developing countries. The authors further noted that in Africa the requirement for credit facilities are still very stringent for small businesses as they do have collaterals to offer to the credit funders.

The small business retail sector is one of the most persistent and resilient sectors in the informal business sectors in Africa (Woodward, Rolfe, Lighthelm and Guimaraes, 2011). Furthermore, the authors noted that in South Africa it is estimated that about 70% of micro-businesses are in fact in the retailing sector and mainly informal retailers located in township environments. Chen and Rensleigh (2009) observed that the lack of access to information is one of the biggest problems facing local South African traders because some of the traders are not even aware that the South African government has small business development agencies that are supposed to assist them with skills and funding. However, according to Quartey, Turkson, Abor and Iddrisu (2017:26) the SME sector in most African countries face serious constraints in accessing formal finance and this problem is connected to factors such as "SMEs' lack of collateral, difficulties in providing creditworthiness, small cash flows, inadequate credit history, high risk premiums, underdeveloped bank-borrower relationships and high transaction costs". Furthermore, Menzies and Erwin (2017) noted that SMEs in South Africa need access to affordable bookkeeping services and practical training on financial recordkeeping.

Small Enterprise business have numerous challenges such as access to finance, lack of business management skills, and human resource management skills amongst others (Sandada and Mangwandi, 2015). The authors also observed that the long-term existence of small enterprise entities is linked to training, development of staff and management of talent as these are very important to the viability of any business.

## 2.2 Small business retailing in South African townships

The dawn of democracy in South Africa brought structural changes in the informal retailing sector in the township environments (Segatti, 2011). Furthermore, the author observed that foreign nationals such as Somali's, Pakistani's and others have begun to dominate in this sector and that has created major differences and conflict with their South African counterparts. The author further noted that foreign national retailers in this sector begun to sell at lower prices and had a better product range as they used bulk buying procurement methods using their social networks. The author concluded that this resulted in customers getting goods at lower prices from foreign owned spaza shops compared to South African small business retailers. The South African small business retailers are now struggling to compete meaningfully with the foreign national retailers in this sector (Segatti, 2011). Segatti (2011:5) noted that "this comparative advantage of Somali and certain other groups of foreign shop owners often relies on long histories of trade culture in their communities of origin. These traders benefit from networks of business contacts that can help them access specific goods, capital and prices".

Battersby, Marshak and Mngqibisa (2017: 29) observed that "despite the importance of the informal economy, there has been relatively little policy support and funding directed towards effective governance of this sector". Charman, Petersen and Piper (2012: 50) further observed that "the informal economy in developing countries such as South Africa provides an entry point for persons otherwise excluded from the formal labour market due to a lack of education and skills to pursue business opportunities or gain employment".

Grant (2013) noted that social networks play a huge role in the entrepreneurial activities of a small business retailer within the informal retailing sector. Furthermore, the author stated that the business rules that apply in the formal retail sector are not exactly the same as business rules that are required in the informal small business retailing sector as these two sectors operate in two different economic clusters. The author further stated that the formal business operating in standardised retailing norms have more collaboration systems that work within the confines of the law in South Africa. However, Grant (2013) noted that the informal small business retailers operate differently in the sense that they use different processing tools and do collaborate with each while operating outside the confines of regulatory systems in South Africa. Furthermore, collaboration and networking are always beneficial for business whether they are in the formal or informal sector of the economy because through collaboration small businesses can be able to share the costs of doing business.

## 2.3 Challenges of small business retailing

Small businesses in South Africa fail despite some support from South African government agencies such as Small Enterprise Finance Agency (SEFA) or Small Enterprise Development Agency

(SEDA) (Cant and Wiid, 2013). It must be noted though that these development agencies offer support to SME's as a category, and they do not have a targeted support for SME's in retail space. The formalisation of the informal businesses by the small business retailers should be priority for the development agencies so that these businesses can identify the business opportunities that are available (Ishengoma, 2018).

Spring (2009) noted that some national governments only pay attention to the big business and ignore the plight of the small businesses. Furthermore, the author called for the attention of government towards the small businesses as both big business and small businesses contributed positively towards the economic growth of any nation. According to Kengne (2016) SME's are important in terms of number of jobs they create in the economy and contribution to GDP and their performance and success should be prioritised by the South African government.

## **Methodology**

### **Research design**

Bryman and Bell (2011:40) describe research design as a general plan of conducting a study. These authors argue that the research design should contain clear objectives of how the research would be conducted. The study was conducted through a qualitative research methodology using focus group interviews. In this study the researcher considered a two-group comparison involving a qualitative research methodology.

The reason for choosing a qualitative research approach was based on the researchers' focus on the participants' perceptions and experiences and the way they make sense of their business lives. The attempt was therefore to understand multiple realities of the participants. It was the researchers' view that the nuances of the participants' multiple realities could be better appreciated when using a qualitative research approach. Furthermore, qualitative research approach was chosen for the very reason that this approach focuses on how things occur and is not based on prior hypothesis.

### **3.2 Sampling and data collection**

The population of the study is defined by Sekaran and Bougie (2016:236) as "the entire group of people, events, or things of interest that the researcher wishes to investigate". In this study the population was made up of the combination of 5 South African citizen small business retail owners and 5 migrant small business retail owners. For this study the first group and second group data sets were collected consecutively. A questionnaire was constructed as a tool to collect the data. A questionnaire was constructed as a tool to collect data and structured with open-ended (qualitative) questions.

### **3.3 Focus group interviews**

The focus group was conducted by the principal researcher with the help of one research assistant. All the preparations for the interview sessions were done by the researcher and this included the setting up of the appointments with the respondents that were to be interviewed.

While the researchers were mindful of the limitations of focus groups especially when it comes to generalization of the findings, they, nevertheless, were viewed to be the most appropriate for this type of study for a number of reasons. During the piloting stage of the research instrument the researchers observed that the participants, especially the migrant traders, were not particularly keen to participate in the study as individuals but were more likely to do so if other migrant traders were involved. The researchers noted that during the pilot study the participants tended to influence each other to get involved in the study. Such influence has its own negative implications such as group conformity pressures, but the researchers were able to work around this by trying to obtain individual opinions of all the participants. Another reason for choosing focus groups was that the researchers felt that the participants, especially migrant traders, would feel more comfortable or at ease to answer certain questions than they would on one-on-one interview. The third reason was the inability to have a high level of understanding of the English language especially in the case of migrant traders. In a focus group environment, the participants could assist one another and would find it easier to speak out when they knew that they had the support of other group members.

### **3.4 Data analysis**

The researcher cannot draw useful conclusions from variables and data that are not relevant to the research objectives (Wegner 2007). In this study the researcher aligned all the questions in the

questionnaire to a specific objective and then grouped the questions according to objectives to avoid any irrelevant data. The raw data was collected, grouped and themed, then it was analysed for the formulation of recommendations emanating from this study.

### 3.5 Validity and reliability

Validity and reliability strategies for the quantitative research components include applied sampling processes, reports on the number of respondents and non-respondents, descriptive analysis of all data, and reports on statistical significance testing (Creswell, 2014). For this study, the following strategies were considered and applied to ensure validity: participant scrutiny, an extended time was spent in the focus group, in-depth accounts of retailers were recorded, and reflection of researcher's predisposition.

### 3.7 Ethical considerations

The University of KwaZulu-Natal (UKZN) code of ethics was followed and complied with while conducting this study. Among other things the code of ethics covers matters relating to confidentiality, anonymity, and the ability of the respondents to withdraw at any time during the study. Furthermore, in this study the researcher applied and was granted ethical clearance from the university. The researcher issued consent forms to each and every respondent.

## Results

In this section the qualitative responses are presented from the questions that were posed to both traders of South African origin and those of foreign origin by means of a focus group discussion. These responses are from the four broad themes discussed with the traders in the focus group interviews, and that is the business start-up, competition, operations, and future business plan questions posed to each of these two groups.

Firstly, the traders were asked the following questions under the theme "Business Start-ups".

Q1: Why did you start a small retail business and why did you choose this area?

Q2: How did you finance your business when you started?

Q3: What makes you successful in small business retailing?

Q4: How do you organize yourselves with other small business retailers?

Q5: What is the process you followed in opening and running a small retail business in South Africa?

To the first question, most of the local trader participants responded that they wanted to help the community because the shopping centres are far, and they close early in the evening and open late in the morning. Furthermore, because we have no jobs as we are not educated, we decided to try our hand in business. However, most migrant trader's participants responded that they chose the area because they saw a business opportunity in Delft.

To the second question, the majority of migrant traders responded that they used their own savings to open the small business retail store. One respondent noted that "I use my networks to raise finance when the riots destroy my store in order to get back to business". However, the local participants responded that they borrowed the money from a relative in order to open their businesses.

To the third question, most migrant trader participant saw themselves as not successful in small business retailing. These migrant trader participants also responded that in order to attract customers they have affordable and low prices, good customer service, long trading hours, wide range of products and close proximity to the customers. Even though the migrant trader participants viewed themselves as not successful, they stated that they think they trade better than locals because of their high work ethic (trading for long hours), entrepreneurial culture (see themselves as survivalist entrepreneurs) and always searching for cheaper products (although some are labelled as fake by local consumers).

However, the majority of local traders responded that their small success is based on how they treat their customers and the quality of the products they offer is superior to that of the migrant trader. The local trader participants also indicated that they offer credit as a way to get customers to buy from their stores. The traders responded that hygiene and selling fresh products is also important for them in order to keep their customers.

To the fourth question, the majority of local trader participants responded that they do not organise themselves, but one respondent noted that “as Rasta brothers we organise ourselves through Rasta association, we come together and buy in bulk because we trust each other”. The majority of the migrant trader participants responded that they do not organise themselves to buy in bulk.

To the fifth question, the majority of migrant traders responded that they just started trading in the area without registering their businesses. However, most of the local traders responded that their businesses were registered with the local council even though they see no benefit for registering. One local participant noted that “because we are uneducated, we do not know the process of registering a business”.

Secondly, the traders were asked the following questions under the theme “Competition”.

1. Do you monitor your selling prices and those of your competitors and how do you do that and who do you view as your competitor?
2. What are the external challenges does your business experience?
3. Do you collaborate with other small business retailers (e.g. sharing costs by buying in bulk) and how does that collaboration happen?
4. What other business services does your business offer? Do you have some form of extra services that you offer in the business (e.g. airtime, fax, phone etc.), services that might give you a competitive advantage?

To the first question, the majority of migrant traders view South African traders as competitors (interestingly the migrant traders from North Africa and Asia also view other Southern African traders such as Zimbabweans as competitors). These foreign national trader participants also responded that they do monitor prices from competitors, then they put their mark-up on the products they sell. However, the majority of local trader participants view all migrant traders as competition and the local trader participants also responded that they do not monitor the prices of competitors other than noting customer reaction when they buy from their stores. The participants noted that customers are the first to complain if their prices are too high compared to those of foreign national traders.

To the second question, most local trader participants noted that their external challenges are competitors, price fluctuations, lack of security, poverty of consumers (their target market), crime in the area where they trade and lack of infrastructure. However, most migrant trader participants responded that there is too competition in their area and they usually feel unsafe whenever there are service delivery protests because the protestors target them.

To the third question, most migrant traders responded that they do not collaborate with other foreign national traders in doing business. Local trader participants also responded that they do not collaborate in doing business in the township environments.

To the fourth question, most local trader participants responded that they sell airtime and electricity for additional revenue. However, migrant trader participants responded that they sell loose cigarettes, snack and sweets to attract customers.

Thirdly, the traders were asked the following questions under the theme “Operation and Finance”.

1. Do you have a way of separating the business money from your personal money and how do you do that?
2. How do you keep records of your business? How do you track your sales record and expenditure?
3. How do you do costing for your products?
4. What is your product manufacturing and distribution strategy?

To the first question, the majority of the local trader participants responded that they do not separate their own funds from those of the business. The local traders also noted that they drew stock from the business for personal use without paying for the stock as they do not pay themselves any salary for running the business. These local traders responded that taking stock for personal use and using the business profits for personal use is a way of paying themselves a salary.

However, most migrant trader participants responded that they separate the business money from their own money and pay themselves very little from the business proceeds. To the second question, most local trader participants responded that they keep a record book for sales but not for expenditure. These

local trader participants also noted that they do not keep purchase records, they only record the money made on each day. However, migrant trader participants responded that they do not keep records on paper, they know their sales from memory, and they buy what is needed when is needed.

To the third question, most migrant trader participants responded that they only check the buying price and number of items inside the pack and based on that they decide the selling price. These migrant trader participants also noted that sometimes when the customers complain about price, they do drop it a little bit since they do not have a set mark-up percentage. However, most local trader participants responded that they price products according to the wholesale price and sometimes create food packs of high value items and small value items to balance the price.

To the fourth question, most of the foreign national trader participants responded that they buy where the products are cheap and then hire small cars to bring them to their store. However, most of the local trader participants responded that they only buy original bar-coded products from reputable wholesalers and they use public transport to transport their stock from the wholesaler to the store. These local trader participants also responded that the public transport charges them extra fare for their stock and usually the charge is per item.

Fourthly, the traders were asked the following questions under the theme "Future Business Plans".

1. What do you think can be done for you to do better in business and become a better trader and what sort of assistance do you think you need in your business going forward?
2. Do you think your infrastructure is adequate (such as the container, payments, transportation)?
3. Do you still plan to run this business in the near future, please explain why?
4. What is your view on fake or expired products attributed to foreign national traders in the South African social media?

To the first question, most local trader participants responded that they need a reliable transportation system, well designed secure containers which they can use to operate their businesses, access to electricity and a close storage facility. Furthermore, they need access to technology networks so that they can have electronic payment systems in their stores. These local trader participants also responded that they also need some form of training since they are uneducated, they need capital in order to open accounts with wholesalers which require a positive balance on store cards. However, foreign national trader participant responded that they only want a way to eliminate rental in order to improve their cash flow.

To the second question, most of the migrant trader participants responded that they need a reliable transport system that is available at a reasonable rate and a bigger storage facility for the business. However, most local trader participants responded that they need premises that can also have an office, connection to power as they currently are illegally connected to the power grid.

To the third question, most migrant trader participants responded that they still intend to do business in that area where they are located despite the sporadic xenophobic attacks by locals whenever there are community service delivery protests. These traders also responded that small business retailing is their way of life in South Africa as the laws do not allow them to enter formal employment since some of them are asylum seekers. They responded that they need the money to take care of their families back home in their countries of origin as the people back home only depend on the money they send. However, most local trader participants responded that even though it is tough to run a business in a crime infested environment, they plan to continue trading as they cannot enter formal employment due to their lack of formal education.

These local trader participants also responded that they want to grow the business, sell more products and employ more people and maybe that can also reduce crime by alleviating poverty.

To the fourth question, the migrant traders responded that in their view they sell affordable goods to customers who have very little income and that the original products are very expensive, and they also do sell them. But the original products do not sell as quickly as the alternative cheaper products. The migrant trader participants do not view these cheaper alternative products as fake. On the issue of expired stock, the migrant trader participants responded that all stores have expired stock and that even organised national retailers sell expired stock as mark-downs, they do not view expired stock as harmful to the consumer.

However, local trader participants responded that they are duty bound as caring citizens not to sell fake products or expired stock to consumers as consumers are South Africans just like them. The local trader participants also responded that migrant trader participants can afford to sell fake products as they do not have allegiance to South Africa and if anything goes wrong (maybe a consumer dies) they can run to their country of origin and not face the might of the South African law. South African trader participants noted that they can face jail time if convicted for harming a consumer.

## **Discussion**

### **5.1 Business start-up challenges**

The study revealed that migrant traders have the advantage of taking over existing businesses while local traders are the ones who are faced with the actual start-up challenges such as securing the container and creating a market share among other things. The interviews revealed that most of the migrant traders interviewed in the study bought existing businesses whilst local traders have had to set-up the businesses. The implication is that start-up challenges are mainly faced by the local traders. The local traders are the ones who have to secure the location of the business, ensure that the trading structure, could it be a container or brick and mortar, is secured. It is the duty of the local trader to attract the first customers thus creating a market share. In the South African context, Cape Town townships in particular, this suggests that in most cases migrant traders find ready-made businesses, all they have to do is do some improvements that would increase the market share. They do that by procuring what they term cheaper alternative products. The research revealed that the migrant trader's main challenge is to secure the capital to buy the business from the local trader.

As a local trader you are the one who has to negotiate with the local counsellor to secure the space where your shop or container is to be located. Once that has been done you are the one that has to ensure that the shop or container is secured by burglar bars and alarms. Furthermore, as a local trader you are the one who has to ensure that the business is branded in any form you deem appropriate to attract customers. The research revealed that it is the local trader who has to create the first customer base for the business. All the challenges associated with business start-up are addressed by you as a local trader. The study indicates that local traders end up selling their stores after undergoing some difficulties. It is the researcher's considered view therefore that when such difficulties cannot be overcome, the most sensible thing to do is to sell the business. It follows therefore that when one sells the business in the face of such difficulties one does not have the opportunity to search for a better deal. It is the researcher's view that the likelihood is that one would accept a price that they would otherwise not accept if the business was sold while they were doing well. The study revealed that when prices increase it is hard for local traders to pass the increase to the local consumer as they feel for the consumer.

In the townships, research reveals that in most cases local traders do have funds to start-up the business and in most cases need funding to expand or sustain their businesses. More importantly they have a need for funding when the social unrest have destroyed their businesses. In the South African township's services delivery protestors have a tendency to destroy and loot small business retail stores. When that happens, local traders have a difficulty to raise funds to start over again.

The research reveals that in the case of the migrant traders they normally resuscitate their businesses within a short space of time. This is attributed to strong business network that they have. The research revealed that local traders do not consult with other existing retailers before setting which means they lack market research skills. On the other hand, it looks like migrant traders based on their responses do some form of market research as they are very safety conscious as their lives become at risk when there is service delivery protest. Some local traders set up business not because of an existing business opportunity but because of desperation as they are unable to participate in the job market.

### **5.2 Competitiveness and operational challenges**

The study revealed that the South African traders in the main have a challenge of operating in silos while the migrant traders collaborate with each other. That creates a problem for local traders as they do not discuss common issues among themselves as migrant traders do. When it comes to security the migrant traders can share the security risk and also when buying they are able to buy in bulk. When

operating in collaboration with fellow traders, it is easy to strategise and come up with solutions that affect them as a group.

The migrant traders are also able to share their business risks with fellow traders and when operating in silos it is difficult to know all the risk factors. That is a distinguishing factor between migrant traders and local South African traders. Migrant traders have systematic security measures in all their stores, while local traders differ from one trader to another. The local traders despise the secrecy of migrant traders and describe them as selfish and secretive. Migrant traders do not share their supplier details with local traders, they make sure that their supplier do not deliver directly to their stores.

The local traders have families therefore in the evenings they close early in order to be with their families. They also have social responsibilities such as attending funeral, community meetings and other social events. The migrant traders on the other hand do not have families in South Africa as they have left them back home. They also do not have the social responsibilities as they do not truly belong to those communities where they trade.

The local traders have to bear the opportunity cost (burden of being South African) of attending to social events because they will have to close their stores whenever they attend to those social events. Some social activities require financial commitment from the local traders and reduces the already constrained financial position to bare minimum. While on the other hand the migrant trader does not have financial commitment towards community activities. The migrant trader resides in their stores (since they are single) therefore save on rental while local traders have to pay rental to places where they live with their families and that also constrains their financial muscle and restrain their growth. It is the researchers considered view that the religious beliefs affect the competitiveness of local and migrant traders. The religious beliefs can constrain traders as some traders of Rastafarian religions do not sell cigarettes as they say that they are poisonous. Based on religious grounds some local traders refuse to sell cheaper inferior products that they deem unhealthy while migrant traders who do share the same religious beliefs have no problem to sell those cheaper inferior products.

In case of local traders where the operator and the owner of the store are the same person there tends to be no separation of business and home goods. The traders take business goods and use them for personal usage. The study revealed that migrant traders treat their personal money and business money separately. The migrant traders have a benefit of sharing the same belief system between the operator and the owner, which creates trust among them, while local traders do not necessarily have that benefit and therefore operate from the position of mistrust.

On an operational level, what was noticeable was that both migrant and local traders do not use any form of technology to manage their businesses. They do not use any cash registers; at best they record manually if they record at all. That tends to have a negative effect on stock control and financial managements and the situation is worse for local traders who use business stock for home consumption without accounting for it.

The local traders whenever they go and buy stock, they either close the shop or ask someone to help while the operator is away and on return the operator does not do any stock count and that opens opportunity for pilferage.

### **5.3 Future business plan outlook**

By future business outlook the researcher meant to obtain the participants view of their future in business, whether they would like to carry on their business venture, or they intend to sell their business venture. If they intend to remain in business the researcher wanted to know what enablers they will require in order to succeed in business. The local traders feel that they need some protection from migrant traders who pose competition to them as they deem them to be in the country illegally. In South Africa, before you obtain a business permit you ought to prove to the authorities that you will invest a certain amount of money in excess of a million rands. The study reveals that local traders feel that migrant traders do not meet those requirements, and this creates an influx of small business migrant traders in South Africa. That increases competition for local traders unnecessarily. The migrant traders were reluctant to get into details regarding the business permit. The researcher is of the view that the concern by local traders is legitimate. In this regard the local traders going forward feel that the South African government

need to enforce current legislation in order to protect them from what they deem as illegal competition from migrant traders.

The migrant traders require protection whenever there is unrest as they usually become the first casualties of any service delivery protest in the townships. The migrant traders have very few recommendations for the future other than demanding visible local policing from the municipality. It is the researcher's view that migrant traders find themselves in a difficult situation since they are illegitimate business owners for the very reason mentioned above that they operate without business permits. If one has to argue that migrant traders do not hold business permit since they are asylum seekers, which is counterproductive since asylum seekers do not have the right to operate a business.

The study has found that migrant traders have competitive edge over local traders on various aspects of business operations. On the other aspects such as financial management and control, the study has found that local traders are lacking especially on financial literacy skills. Therefore, even though local traders are less competitive they are also having business skills deficiencies that need to be addressed. The same business skills deficiencies were also found among the migrant traders. However, if South African traders address those deficiencies as proposed in the recommendation in the next section, they will have a competitive edge.

## **6 Conclusion and recommendations**

The above discussion indicated that the challenges faced by local traders are different from those faced by migrant traders. In the main migrant traders do not seem to have challenges relating to factors such as lack of funding, lack of business network and collaboration among other things. The migrant traders have a main problem which is the security in areas where they trade. The nature of security they need is divided into two, firstly it is the protection from the general public during unrest and secondly, protection from general criminal elements in the townships.

On the other hand, the study revealed that South African traders are faced with challenges relating to funding and the lack of collaboration among themselves. It is important to note that traders, both local and migrant trader suffer from criminal elements mainly depending on the structure of their shops. For example, those traders whose shops are made up of shipping containers are relatively safer than those that are constructed out of corrugated sheet iron. Generally shipping containers are easy to secure with burglar bars and some form of alarm system than the other structures. The discussion also touched on a very crucial issue that relates to enforcement of the laws of the land. It is the researchers considered view that if the laws were to be enforced, unnecessary competition from migrant traders could be reduced. That in the researcher's view could reduce animosity between local and migrant traders.

It is recommended that the South African government through its Department of Small Business Development embarks on a drive that is specifically targeted at helping the local small business retailers form business networks. It is recommended that a task force be established to specifically deal with issues relating to compliance with the existing legislation in the township environments.

The study also recommends a review of the legislative framework relating to the setting up of small and medium enterprises in the township environments.

### **Implications of the study**

The researcher is aware that there are agencies such as the Small Business Development Agency (SEDA) that aims at helping Small and Medium Enterprises (SMME's) but such agencies deal with all the different types of SMME's. There is a need for a targeted support for the small business retail sector as it is a very unique sector in the South African retailing market.

### **Limitations**

The study was only conducted in two townships in Cape Town and it does not represent all the Cape Town's townships. There are various things to be considered if this study is to be applied in other townships. In conducting the focus group with the small business retailers there were few instances of language barriers between the trader and the researcher.

### **Future Research**

The primary objective of this study was achieved but a study with a specific focus on the challenges faced by migrant small business retailers in township retailing environments needs to be conducted.

## References

- Adisa, T. A., Abdurraheem, I. and Mordi, C. (2014). The Characteristics and Challenges of Small Businesses in Africa: An Exploratory Study of Nigerian Business Owners. *Economic Insights*, III (LXVI) (4), 1-14.
- Badenhorst-Weiss, J. A., and Cilliers, J. O. (2014). The value of a price differentiation strategy for small retail and wholesale businesses amongst price-sensitive consumers. *Journal of Contemporary Management*, 11, 534-555.
- Battersby, J.; Marshak, M.; Mngqibisa, N., (2017). Mapping in the invisible: The informal food Economy of Cape Town, South Africa. *African Food Security Urban Network (AFSUN)*, 24, 1-47.
- Bowen, M., Morara, M., Mureithi, S. (2009). Management of business challenges among small and micro enterprises in Nairobi-Kenya, *KCA Journal of Business Management*, 2(1), 16-31.
- Bryman, A., and Bell, E. (2011). *Business Research Methods* 3rd edition. New York: Oxford University Press
- Brink, A., Can't, M. and Ligthelm, A. (2003). Problems experienced by small businesses in South Africa. *A paper for the Small Enterprise Association of Australia and New Zealand 16th Annual Conference, Ballarat, 28 Sept-1, (October)*, 1-20.
- Can't, M. and Wiid, J. (2013). Establishing the Challenges Affecting South African SMEs, *International Business and Economics Research Journal*, 12(6), 707-716.
- Charman, A., Petersen, L. and Piper, L. (2012). From local survivalism to foreign entrepreneurship: The Transformation of the spaza sector in Delft, Cape Town. *Transformation: Critical Perspectives on Southern Africa*, 78, 47-73.
- Creswell, J. W. (2014). *A concise introduction to mixed methods research*. Thousand Oaks, CA: Sage.
- Grant, R. (2013). Gendered spaces of informal entrepreneurship in Soweto, South Africa. *Urban Geography*, 34(1), 86-108
- Ishengoma, E. K. (2018). Entrepreneur Attributes and Formalization of Micro, Small and Medium Enterprises in Tanzania. *Journal of African Business*, 19(4), 491-511.
- Kengne, B.D.S. (2016). Mixed-gender ownership and financial performance of SMEs in South Africa: A multidisciplinary analysis. *International Journal of Gender and Entrepreneurship*, Vol. 8 Issue: 2, 117-136.
- Nandonde, F. A., and Kuada, J. (2016). Modern food retailing buying behaviour in Africa: the case of Tanzania. *British Food Journal*, 118(5), 1163-1178.
- Menzies, D. and Erwin, R. (2017). Inaugural South African SMME access to finance report.
- Strydom, J. (2015). David against Goliath: Predicting the Survival of Formal Small Businesses in Soweto. *International Business and Economics Research Journal*, 14(3), 463-476.
- Porter, M. E. (2008). 'The Five Competitive Forces that Shape Strategy', *Harvard Business Review*, 86(1), 78-94.
- Quartey, P., Turkson, E., Abor, J.Y. and Iddrisu, A.M. (2017). Financing the growth of SMEs in Africa: What are the constraints to SME financing within ECOWAS? *Review of Development Finance*, 7, 18-28
- Sandada, M., and Mangwandi, L. (2015). Business Administration and Business Economics an Assessment of the Influence of Selected on the Performance of Small to Medium Sized Family Owned Businesses in the Zimbabwe Retail Sector. *Africa Insight*, 11(6), 5-16.
- Segatti, A. 2011. Reforming South African Immigration Policy in the Post-Apartheid Period (1990-2010). In Segatti, A., Landau, L.B. (Eds) *Contemporary Migration to South Africa: A Regional Development Issue*, Washington: World Bank and Paris: AFD, 31-66.
- Sekaran, U., and Bougie, R. (2016). *Research Methods for Business: A Skill Building Approach* (5<sup>th</sup> Edition). New York: Hermitage
- Spring, A. (2009). African women in the Entrepreneurial Landscape: Reconsidering the Formal and Informal Sectors, *Journal of African Business*, 10:1, 11-30
- Wenger, T. (2007). *Applied Business Statistics*, Cape Town: Juta
- Woodward, D. P., Rolfe, R., Ligthelm, A., and Guimaraes, P. (2011). The Viability of Informal Microenterprise in South Africa. *Journal of Developmental Entrepreneurship*, 16(1), 65-86.
- Chen, H.-J., and Rensleigh, C. (2009). Study of South African small retail businesses' utilisation of information resources. *South African Journal of Information Management*, 11(3), 3-14.