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## Article

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# A qualitative study of the attitudes of South African spaza shop owners to cooperative relationships



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**Background:** Coopetition is a powerful means by which microenterprises can compete against large firms in low margin sectors, such as the small retail outlets in South African townships, known locally as spaza shops. Although coopetition is widely used by foreign nationals who own and manage such shops, and who are reported to be more successful, South African owners have failed to establish such relationships.

**Objectives:** The objective of this study was to explore the reasons why South African owners do not form such relationships

**Method:** The study used a qualitative, exploratory approach.

**Results:** An absence of trust and a general lack of awareness of the potential benefits of coopetition are the major barriers. Moreover, the volatile environment within which these spaza shops operate, characterised by extensive unemployment and high crime rates, and makes the establishment of cooperative relationships more difficult.

**Conclusion:** Any intervention designed to improve the survival rate of spaza shops should include measures to address issues of trust and the benefits of cooperative relationships.

**Keywords:** Spaza shop; South Africa; coopetition; trust; microenterprise.

## Introduction

Microenterprises, and more specifically small convenience stores, known locally as spaza shops, are a key part of the economy within low-income communities in South Africa, providing a range of services to such communities (Chebelyon-Dalizu, Garbowitz, Hause & Thomas, 2010; Liedeman, Charman, Piper & Petersen, 2013) and dominating the retail landscape in townships across the country (Fatoki & Oni, 2016). Spaza shops also play an important socio-economic role by creating employment, making credit available to their customers and building economic activity in areas where few such opportunities exist (Ballantine, Rousseau & Venter, 2008; Friedland, Merz & Van Rensburg, 2008; Roos, Ruthven, Lombard & McLachlan, 2013). The businesses, if they are profitable, also provide financial support for the owners, their immediate family, their extended families and, often, numerous other poor people within the wider community (Liedeman et al., 2013).

Unfortunately, it is reported that South African-owned spaza shops have become less competitive and have experienced a high failure rate (Hartnack & Liedeman, 2017; Ligthelm, 2012). There are several reasons for the low level of competitiveness, but higher input costs, including both labour and goods, as a consequence of a reluctance to use their social networks and also to form cooperative relationships, is cited as one of the biggest factors (Liedeman et al., 2013). Coopetition refers to a situation where enterprises compete and cooperate simultaneously, and is a strategy widely used by microenterprises in their attempts to compete in low-margin markets dominated by large retailers (Bengtsson & Kock, 1999).

This study has sought, within a cohort of spaza shop owners in Alexandra, to confirm the results of the previous studies in terms of levels of trade practices, and then to examine the reasons for the reluctance of the South African shop owners to form cooperative relationships. Although there have been studies on the challenges of the spaza shop business (Van Scheers, 2010), and the influence of education, social networks and socio-economic contexts on the profitability thereof (Chiliya & Roberts-Lombard, 2012; Hartnack & Liedeman, 2017), there have been no formal studies on the attitude of South African spaza shop owners towards coopetition.

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Such a study is important on account of two concerning dynamics within the townships, namely, xenophobia and unemployment. It has been suggested that the fierce competition between South African- and foreign-owned spaza shops is the cause of the xenophobic attacks within townships (Charman & Piper, 2012; Khosa & Kalitanyi, 2014; Piper & Yu, 2016). For instance, research on Somali shop owners in the Western Cape showed that they considered the competition with rival South African owners to be central to crimes committed against them (Gastrow & Amit, 2013).

In terms of unemployment, this is a massive problem in the townships for which no immediate solution has been found. According to a World Bank report, 'South African townships account for 38% of the country's working-age population, [and yet] they are home to almost 60% of its unemployed' (Mahajan, 2014, p. 2). Apart from the burden on public funds through the various channels of the social wage, unemployment has numerous other negative effects on the country, including its contribution to poverty and poor public health (Ligthelm, 2008). As already noted, spaza shops can make an appreciable contribution to local employment.

Apart from these rather obvious social rationales, this study on attitudes towards competition also touches a deeply theoretical issue or construct, which is the extent to which agency, as opposed to context or structure, can be held responsible for the choices of individual shop owners (Kristiansen, 2014). In management research, the role of agency is often assumed or emphasised, whereas in the sociological perspective, context and structure are considered to be more significant in explaining social phenomena. Although individuals may have choices, their options are often severely limited by exogenous or external factors that override the capacity to act. In this paradigm, policies to address social problems must work at a system or landscape level, rather than at the level of the individual.

In the following sections, we present the background information on the spaza shop economy, and the literature on theories of competition, followed by the details of the study, a discussion of the results and recommendations for policy. The contribution of this study to the broader theoretical debate relating to the interplay between agency and structure is also discussed.

## Background and literature review

### The spaza shop economy

In 2010, South African microenterprises represented almost 8 million employment opportunities (Grundling & Kaseke, 2010), mostly for the individual owner, and were valuable sources of economic growth, job creation and poverty alleviation (Ligthelm, 2008; Mthimkhulu & Aziakpono, 2015). Spaza shops, which are a subset of microenterprises, are similarly important participants in the local economy; in 2000, 2.7% of South Africa's retail trade was from spaza shops, amounting to R7.4 billion (Ligthelm, 2005).

Unfortunately, the number of South African spaza shops is on the decline, making it necessary to develop ways for these outlets to improve their business practices and remain competitive. As several studies have shown, the main problem is that many microenterprises are survivalist in nature and do not grow revenue, increase employment or make enough profit to remain sustainable over the long term (Ligthelm, 2004; Strydom, Martins, Potgieter, & Geel, 2002). Many microenterprises end up failing, often within a short space of time. Indeed, research reports that somewhere between 65% and 75% of South African SMMEs do not become established firms (Fatoki & Odeyemi, 2010; Grundling & Kaseke, 2010).

There are numerous reasons that explain the failure of microenterprises and spaza shops. Issues such as low business literacy, limited access to finance and markets, lack of business skills, personal values and size of firm are widely discussed as playing an important role (Abor & Quartey, 2010; Asah, Fatoki & Rungani, 2015; Mthimkhulu & Aziakpono, 2015; Williams, 2014). It has been found in several studies that many spaza shop owners do not possess the necessary business skills or entrepreneurial expertise to be competitive (Cant & Wiid, 2013; Ligthelm, 2012; Woodward, Rolfe, Ligthelm & Guimaraes, 2011). This lack of skills seems to be quite diverse, including the inexistence of business planning, bad choice of business location, poor customer service, lack of market analysis, non-existence of marketing and a complete absence of financial management (Franco & Haase, 2010; Khosa & Kalitanyi, 2014; Olawale & Garwe, 2010). Furthermore, a study in the Nelson Mandela Metropolitan Municipality identified gaps in the management of 60 spaza shops with purchasing, financial and information management functions as the worst areas (Perks, 2010).

The problem of skills amongst spaza shop owners can be attributed to issues such as poor education, the small number of appropriate training programmes for spaza owners and limited government support (Ligthelm, 2008). The lack of access to finance has been specifically identified as a major barrier (Chebelyon-Dalizu et al., 2010; Fatoki & Odeyemi, 2010). In the township environment, access to capital is almost non-existent, especially at affordable, sustainable rates (Fatoki & Odeyemi, 2010; Mahajan, 2014). This deficiency means any capital investment that spaza shop owners want to make into their business needs to come from themselves, a saving group or perhaps a family member, but given the poor financial planning and savings rates of most spaza shop owners, these options are severely limited (Ligthelm, 2004).

External factors that contribute to the high failure rates include limited infrastructure, crime and competition. Infrastructure in townships is notoriously unreliable and affects the ability of any business to operate (Chebelyon-Dalizu et al., 2010; Olawale & Garwe, 2010; Webb, Morris & Pillay 2013). Electricity is particularly important for many spaza shops as the only affordable means to store perishable items, refrigerate cold drinks, produce cooked items and

provide lighting. Crime rates in townships are a major challenge for spaza shops, given that their premises are often rudimentary and not well secured (Chebelyon-Dalizu et al., 2010; Ligthelm, 2004).

Finally, competition both from local business and large retailers outside the township is considered to be the biggest external factor leading to the failure of South African spaza shops and was ranked in the top three problems for spaza owners by several studies (Ligthelm, 2005; Van Scheers, 2010; Woodward et al., 2011). Strydom (2015) highlighted in his article that the 'heightened level of competition between informal businesses and formal businesses has a major negative effect on the business survival of the informal retailers' (p. 466).

The exception to the trend in microenterprise failure is foreign-owned spaza shops, which are growing in numbers with studies reporting that in some locations the majority of spaza shops are now foreign-owned (Charman, Petersen & Piper, 2012). One explanation for the success of foreign-owned spaza shops, as compared to their South African counterparts, is their price competitiveness, which is especially important in low-income environments such as townships. This advantage stems from their use of social networks to buy stock in bulk, negotiate better prices with suppliers, access capital and employ cheap labour (Gastrow & Amit, 2013; Khosa & Kalitanyi, 2014). The practice of bulk buying in groups is of particular interest and can be described as a cooperative relationship (Bengtsson & Kock, 1999).

To summarise, there is a growing picture of the township economy in which South African-owned microenterprises are required to fuel growth and reduce unemployment, but many are failing to do so. On the contrary, there are a growing number of foreign-owned spaza shops that are being run as successful businesses, for reasons that include their use of social networks and collaborative practices. This dichotomy presents the obvious question that is addressed in this study, namely; what prevents South African-owned spaza shops from adopting similar business practices to the foreign-owned spaza shops?

## Theories of cooptation

Cooperation refers to the practice of business owners who compete in the same market to also engage in collaborative or cooperative relationships, which bring numerous benefits to the individual business owners (Charman & Piper, 2012; Gastrow & Amit, 2013; Khosa & Kalitanyi, 2014) and lead to an improved business performance.

Such relationships seem to be more common within vulnerable or marginal groups, such as immigrants. Liedeman et al. (2013), for instance, argued that the 'clan-based social networks played a key role in enabling a more competitive business model' (p. 4). Khosa and Kalitanyi (2014) proposed that 'social networks are vital in the

formation and growth stages of an immigrant-owned business, as networks provide the necessary support' (p. 52). Their argument was that social capital extended into other forms of support from financial capital to business advice, security protection and cheap rent, as well as sourcing cheap labour from newly arrived countrymen (Charman & Piper, 2012).

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

A variety of theoretical frameworks have been used to explain or examine the concept of cooperation, including the resource-based view, game theory and network theory (Gnyawali & Park, 2009), interorganisational dynamics theory (Padula & Dagnino, 2007; Tidström, 2008), migration theory (Woodruff & Zenteno, 2007) and a more empirical framework based on barriers to cooperation in Poland's high technology sector (Zakrzewska-Bielawska, 2014). Many of these studies were undertaken on technology-intensive sectors or firms and have limited relevance to the microenterprise sector. The notable exception was the study of microenterprises in Mexico that showed that members of migrant communities are more likely to work together for their collective benefit by forming strong social networks (Pauk, 2015), and as a result had greater access to capital, better capital-output ratios, higher revenues and larger profit margins (Woodruff & Zenteno, 2007).

In this study, the conceptual framework of Morris, Kocak & Ozer (2007), as modified by Thomason, Simendinger & Kiernan (2013), was adopted as the basis for framing and phrasing the research questions. The model treats cooperation and competition as overlapping processes, and considers that the three interlinked and interdependent factors of trust, commitment and mutual benefit are the biggest drivers of a successful cooperative relationship. From an intuitive perspective, this conceptualisation seemed more relevant to our context, and more likely to yield real insight into the issue.

It is clear that the theory of cooperation is still emerging and there is a need for additional studies in this area (Gnyawali & Park, 2009; Sroka, 2012; Walley, 2007; Zakrzewska-Bielawska, 2014), particularly in microenterprises given that much of extant literature focuses on large companies. In this research, we have attempted to fill this gap, with the core focus being the reluctance of South African spaza shop owners



(in Alexandra) to form cooepetitive relationships. Details of the research method and results now follow.

## Research method and data analysis

The objective of the research was, firstly, to corroborate the existing reports on the perceptions of South African spaza shop owners in Alexandra towards their business environment, particularly their perception of competition from foreign-owned spaza shops and how this has influenced their trade practices, and secondly, to understand, through an initial exploratory study, the reasons for the failure of this cohort to adopt cooepetitive relationships as a possible means of improving their competitiveness. As indicated in the literature study, a conceptual framework based on the three key factors of commitment, trust and mutual benefit has been applied, as shown in Figure 1.

The figure indicates diagrammatically the relationship between these factors and the core focus of the study. Given a context of high spaza failure rates, it is assumed that business survival (1) is a desired outcome, which is, in turn, influenced by the value offering (2) of any spaza. This offering is made up of numerous things such as physical location, customer service and stock availability, which are not prioritised in this study as this model places the greatest emphasis on price (3). To improve price competitiveness, cooepetitive relationships (4) such as bulk buying in groups or establishing a buying cooperative to share transport costs can be formed. For successful cooepetition to occur, three factors are recognised as being important, namely, (5a) commitment, (5b) trust and (5c) mutual benefit.

### Sampling strategy

The study adopted a purposive sampling strategy, focussing on South African spaza shop owners in Alexandra, which is a township located in the Sandton area. Unfortunately, there are no comprehensive maps or lists of South African-owned spaza shops, although there have been some attempts to map them in some townships. The choice of a purposive strategy was also made on the basis that this was an exploratory, qualitative study that sought to yield insight into and understanding of the phenomenon under study (barriers to competition). Qualitative research involves reaching data

saturation, which requires collecting data until no new information is obtained (Morse, 1995). More interviews could have been conducted, but the researchers felt saturation was reached at 14 respondents as the same themes were being repeatedly raised and it was therefore deemed that 14 was a sufficient sample size to answer the research questions effectively.

The sample population itself was identified through a deep knowledge of the area because one of the authors had already spent several months working in this township. Alexandra was also considered to be a suitable location because it is the oldest and most established township in Gauteng, as opposed to Diepsloot, for example, which is newer and has a higher proportion of foreign residents (Mahajan, 2014).

The respondents covered both genders (eight females, six males) and a range of ages from late teens to mid-60s. Most interviews were conducted in English but in cases where the interviewee's level of English was poor, a research assistant was present to translate. The sample included 11 South Africans, one Zimbabwean and two Mozambicans. Of the three non-South Africans, two felt that they were viewed as foreign nationals and the third was ambivalent on the issue of nationality. Given that the nationalities of the respondents and the way they described their identity was central to the study, we initially adopted a typology consisting of three categories, namely, South African citizens, 'recent immigrants' (first- or second-generation immigrants) and 'foreign nationals' or 'migrants' (Somalis, Ethiopians, Bangladeshi and Pakistanis).

An attempt was made to interview foreign spaza shop owners to provide some insights into how their networks were being used to form cooepetitive relationships. Unfortunately, many of the foreign owners were either not present or refused to be interviewed. As a result, it was decided that interviews with foreign owners would not be further pursued.

The sample size consisted of a total of 14 spaza owners in Alexandra Township in Gauteng.

### Data analysis

The interviews were analysed with ATLAS.ti (software) using a set of coding themes, shown in Table 1, which were developed inductively and organically during the study. After conducting the interviews, the recordings were translated and transcribed, with a separate translator being used to verify the *in situ* translations of the research assistant. This process was followed to ensure that no extra interpretation had been given by the research assistant during the interviews and to reduce the risk of bias. The quotes used throughout this article were based on the second translation from the audio recording, rather than the research assistant's instant translation.

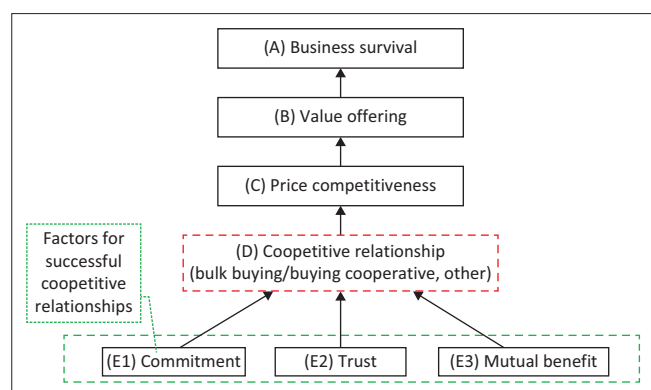


FIGURE 1: The conceptual framework for the study.

**TABLE 1:** Coding themes.

Research question	Coding theme
What are the main challenges for your business?	Challenges to running a business Number of spaza shops in the area
What is the basis of your value offering as a spaza shop?	Customer preferences
What are the major differences in trade practices between you and the foreigners?	Views on foreign spaza shops Pricing comparisons
Do you use your social network in the running of your business?	Networks
What are the barriers to using your social networks?	(Barriers to) bulk buying (Barriers to) cooperation with other spaza owners Ubuntu (absence thereof)

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

[05:03] 'I treat them well. I don't have the time to be cursing with them'. (Respondent 5)

[08:02] 'What can I say? We just have this relationship with them'. (Respondent 6)

## Ethical consideration

Ethical clearance was confirmed by the GIBS MBA Research Ethical Clearance Committee in a letter dated 27 July 2017. A copy of the letter is attached to this document.

## Results

The profile of respondents by sex, age and nationality is shown in Table 2.

### Factions within the population

The interviews supported the results of a previous study that concluded that there is little difference between South Africans and recent immigrants from the neighbouring countries of Zimbabwe and Mozambique on the prevalence of cooperative practices (Piper & Yu, 2016). Although the recent immigrants are seen as 'outside people', they do not run their businesses in the same way as the Somalis, Pakistanis or Ethiopians. For instance, the three recent immigrants interviewed in this sample (respondents 6, 9 and 13) were very similar to South African spaza owners in terms of their challenges (e.g. one cited competition from Somalis as their biggest challenge), price setting (one said they were cheaper than everyone, one said they were similar to foreign nationals and the other said Somalis were cheaper than them) and most importantly their attitudes to, and use of, networks for building cooperative relationships to participate in practices like bulk buying. Indeed, the only difference between them and the South African respondents was that they were also victims of xenophobic comments and attitudes.

**TABLE 2:** Profile of the respondents.

Parameter	Number of respondents
<b>Sex</b>	
Male	6
Female	8
<b>Age (years)</b>	
<30	6
30–50	7
>50	1
<b>Nationality</b>	
South African	11
Zimbabwean	1
Mozambican	2

**TABLE 3:** Summary of response to research questions.

Research question	Summary of response
What are the main challenges for your business?	The foreign nationals are a major issue, alongside the general high level of crime and the lack of money to purchase stock.
What is the basis of your value offering as a spaza shop?	Customer service and price are the two most important factors.
What are the major differences in trade practices between you and the foreigners?	Foreign nationals cooperate and buy in bulk, but they also sell fake goods and do not match up on customer service. Their prices are generally cheaper.
Do you use your social network in the running of your business?	We do not use their relationships to cooperate with other spaza shop owners. We may use family to help run the shops but would not have anyone else to help.
What are the barriers to using your social networks?	Distrust is a major barrier to forming cooperative relationships. A lack of trust stops cooperation with other business owners and, more generally, in the wider community. In many cases, this is because of a negative experience (mostly a friend or family member stealing from them). Bulk buying is also a new idea for many owners. For those owners trying to work with other owners, communication is poor and organisation is lacking.

As a result, for the remainder of this analysis, the study adopted only two classifications, namely, the 'foreign-owned spaza shops' (owned by foreign nationals) and the 'South African-owned', the latter referring to shops owned by any person from the Southern African region, including people of South African, Zimbabwean or Mozambican descent.

A summary of the research results is shown in Table 3; further details are given in the sections that follow the table.

### Challenges to running a spaza shop

Although many challenges to the successful operation of a spaza shop were mentioned, the most common complaint was the high level of competition from foreign-owned spaza shops in their surrounding areas:

[11:01] 'The challenges that we are facing. Obviously before the Somalis came we used to make a lot of money so yes we still making money but it's not like before. The competition is too high. Because, there's a shop just around the corner and also around that corner. It's Somalis. So we are in between'. (Respondent 11)

[13:01] 'Before, a long time ago in 2011 our shop was the number one but thereafter, a lot of Somalis came'. (Respondent 13)

Competition, however, was not the only challenge to their businesses; crime and lack of finance also affected many respondents' ability to run their business:

[02:01] 'I build this so that it can be safe because here eish ... too much tsotsis'. (Respondent 2)

[10:02] 'Our biggest challenge is that we don't have the money to go and buy stock. And you find that customers tend to complain a lot when they come to the store and they don't find the product that they are looking for'. (Respondent 10)

Other challenges included poor infrastructure (water and electricity), customers who wanted credit and the fluctuation in supplier prices. Xenophobia was mentioned by two of the non-South African owners:

[06:01] 'When I have my own business, people call me names. Firstly, they say we bewitch them and say a lot. This doesn't sit well with me'. (Respondent 6)

[13:07] 'For me as a man, a lot of people...they are the ones who will say I am a foreigner. But we wish to tell them that we are coming together with them as one. But they have that old mindset which looks at us and says, "you're Mozambicans"'. (Respondent 13)

### Importance of price in the customer perception of value

Respondents were asked about customer preferences from two perspectives. Firstly, they were asked what they thought attracted customers to their shop, and secondly, to imagine they were a customer and what would influence them to choose one spaza over another. Overwhelmingly, the most important aspect, from both perspectives, was customer service:

[14:04] 'It's because of the relationship I have with the customers. They come and they smile, we laugh'. (Respondent 14)

[14:07] 'Well...actually for me, I don't go for cheap one. I'd go for that one that treats me well'. (Respondent 14)

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

[05:03] 'Oh yes, people consider the prices that they buy their products for from you'. (Respondent 5)

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

[03:05] 'What can I say? I think it's because I'm a black person and people see me as an ok person'. (Respondent 4)

Other drivers of customer preferences included cleanliness, the provision of credit, loyalty, quality of goods and stock availability.

### Major differences in the trade practices

There were a range of views about the differences between the South African-owned shops compared to the foreign

ones. In terms of prices, most felt that the foreign nationals were cheaper:

[13:02] 'For example, when I sell mealie meal for about R50, the Somalians will sell it for about 40 something rand'. (Respondent 13)

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

[01:17] 'As foreigners do that. The foreign spaza shops. They do this kind of thing. They work together'. (Respondent 1)

[11:20] 'Because we are not like those foreign Somalians. At least they can work together and push each other. They are not like us. That's why their businesses are doing very well'. (Respondent 11)

Some of them were also aware of the common practice of bulk buying amongst migrant owners:

[11:23] 'Yeah they do. That's why their businesses are running so well because they do communicate and stock in bulk. They do help each other. They not like us'. (Respondent 11)

In contrast, a small number did not understand how the foreign spaza shops could grow so quickly and sell their stock so cheaply. Some felt the foreign nationals had their own secret supplier where they got cheaper deals. A number of owners referred to the fact that the foreign spaza shops sold fake or poor-quality goods:

[02:18] 'Most of their things are fong kong [fake], they are not original'. (Respondent 2)

[03:05] 'Interviewer: fong kong means fake? Who sells these fong kong? Participant: The Somalian guys...you see this...this is from Somalians this thing' [shows researcher a box of imported chocolate bars]. (Respondent 2)

There were also a range of other comments on foreign-owned spaza shops that centred around issues such as bad customer service, the fact that no credit was offered, high levels of stock availability and unclean shops.

### Use of relationships and networks

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

[11:14] 'Yeah. It's just us, a family. Me, my mom, my dad and my little sister'. (Respondent 11)

Less than half of the respondents had used other people in the past as employees, including friends, extended family and others, but this was no longer the case. Only two people were considering hiring and neither had a problem hiring someone outside of their families. The second aspect of using relationships to improve the running of their businesses was whether they would consider general cooperation with other spaza owners such as borrowing money, restocking at

cheaper rates and sharing employee resources or transport costs. Mostly there was little evidence of this type of interaction:

[04:16] 'Ya ya I know them. We are friends. They just greet only'. (Respondent 4)

[12:21] 'Hai, I don't know, because each and everyone just go to whatever you go to buy the stock'. (Respondent 12)

However, there were responses indicating a level of interaction on borrowing small items and advice on prices. One respondent was trying to use her network with other spaza shops and was in the process of starting a stokvel, although it was not yet functioning.

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

### Reasons for failure to form cooperative relationships

The main theme emerging from the interviews was that a lack of trust explained the absence of cooperative relationships, whether in employing people, participating in bulk buying schemes or cooperating in general with other business owners. In terms of hiring people, respondents did not trust people, in some cases family members, to watch over their shop because of stealing:

[06:09] 'No, trust is low, people will steal and the shop will collapse. A family member once stole from her'. (Respondent 6)

[08:19] 'You can't trust a person. Like now, we are selling, we have people we are used to who we can sit with us here while we are selling but you can see that they will sometime take money in front of you and not put it in the tin where we put money. That shows you that you can't trust a human being. How can I leave such a person for the whole weekend if these are the things they do in your presence?' (Respondent 8)

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

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

Trust, however, was not the only reason offered by the respondents for bulk buying. Other reasons cited included that the latter was new to many of the respondents and, as a consequence, its application in the spaza shop environment raised a number of unknown issues such as the financial management of the process and the need for more storage space. In terms of cooperation more generally, respondents also listed issues such as jealousy, pride, poor communication

skills, a lack of unity and even a fear of death as issues that have prevented them from engaging with their networks:

[01:20] 'You know my brother, it is very difficult for Africans to unite and run the business'. (Respondent 1)

[08:17] 'Like I say. A Somalian, Zimbabwean, we don't get along and you will never have a conversation with them'. (Respondent 8)

[05:09] 'Where there is money there is jealousy and killing. So rather fail alone'. (Respondent 5)

[06:14] 'No, very few people have it. People don't care about anyone else. Jealousy is huge – they don't want to see people succeed'. (Respondent 6)

[10:15] 'We don't have the communication skills that the foreigners have'. (Respondent 10)

This openness seemed to reflect the historical concepts of community-based values in African society, known as *ubuntu*. The latter is an Nguni term that is used in South Africa to describe, in broad terms, a humanist philosophy or humanness. It translates into English with difficulty but is normally expressed as 'a person is a person through other persons' or 'I am because we are' (Lutz, 2009; Metz, 2007). It has become a key term in the dialogue on social justice and reconciliation; it is considered to represent profoundly African values towards the importance of community-based (as opposed to self-centred) values. In the study, each respondent was asked if they felt *ubuntu* existed in their communities. A vast majority felt that it did not, or if it did it was only with a few people:

[05:12] 'It's no longer existing. It's gone a long time ago'. (Respondent 5)

[08:20] 'No there no longer is. Because if there was *ubuntu* I would be able to leave someone to stay and sell for me but because you can't trust someone who can take from me and someone sees them and not say anything. We don't look out for each other as a community. So how I see it it's as if it is no longer there. When you close late you need to make sure that you are safe or you will come back tomorrow and find everything gone'. (Respondent 8)

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

[07:14] 'Yeah, because I'm living by the people. Ke phela ka batho [I live because of the people]'. (Respondent 7)

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



## Discussion

At the outset of this discussion, it is important to state that the current socio-economic environment in the South African townships, which is characterised by extensive unemployment, high crime rates and wavering social cohesion, is the dominant and overriding context for this study, shaping its importance, its rationale and its relevance. This study offers perspectives on the possible reasons for the commercial failure of South African-owned spaza shops but must not be interpreted as conferring responsibility solely on the owners, who in many respects are unable to exercise their capacity for agency, which is so central to entrepreneurship, and are instead trapped in a highly constrained and contested environment.

Although the framework of structure versus agency could be described as a stale dichotomy (Block, 2013), it nevertheless provides a useful theoretical perspective through which to interpret qualitative data and to formulate policies that could address structural constraints for owners of microenterprises. In the discussion that follows, we adopt an agency-based model (Precaution-Adoption), but continue to refer to the nature of context and how this dilutes the capacity for agency.

### Awareness of competition and cooperative practices

Previous studies have shown that foreign-owned spaza shops form cooperative relationships to access capital, employ labour and purchase stock in bulk, enabling them to undercut the prices of the South African-owned spaza shops, and hence contributing to the collapse of these spaza shops (Ligthelm, 2012). Based on the results of this study, it is apparent that the South African spaza owners in Alexandra do *not* form such relationships, primarily not only because of a lack of trust, but also as a consequence of a lack of mutual benefit and the difficulty of commitment.

According to the Precaution-Adoption Process model, which covers the various stages of decision-making and action in response to a potential threat, the first step is awareness of the issue itself (Weinstein, Sandman & Blalock, 2008). Given the replies to the first research question, it is apparent that South African spaza owners are aware of the growing numbers of foreign spaza shops in the township and the competitive threat that they present. Furthermore, although customer service combined with convenience were the biggest drivers for attracting repeat customers, price was an important, if not the most important, part of a customer's decision process, and most interviewees felt that the goods in foreign-owned spaza shops were priced lower than their goods, which is broadly in line with the extant literature (Piper & Yu, 2016). Sometimes this difference was only by a few cents, but in a price-driven market these small margins make a difference (Strydom et al., 2002). There was also an awareness of the bulk buying arrangements and other cooperative practices of the foreign owners, and that these practices helped the foreign owners to run their businesses more effectively, as verified by other reports in the literature

(Fuentes, Arroyo, Bojica & Pérez, 2010; Morris et al., 2007; Ravensburg, 2009).

### Barriers to cooperative relationships between South African spaza shop owners

The literature on the scope and strength of spaza shop networks is not extensive, but does indicate that South African owners avoid any form of group buying (Liedeman et al., 2013; Tladi & Miehlebradt, 2003) or the employment of additional labour, a result corroborated by our study, which showed that the vast majority of respondents do not use their networks to build cooperative relationships. Some said that they did sometimes borrow basic items such as crates from other spaza owners or they might buy soft drinks from another spaza if they ran out, but these are indicative of shallower relationships, not the type of cooperation that, we argue, would be beneficial to them.

In terms of employment, there was an overwhelming reluctance to employ anyone else in the business, mainly because of a lack of trust, based on first-hand experiences of employees stealing from them previously. Many said they would employ family members only, but some of them said they would not even do that.

As an explanation for the absence of cooperative relationships, Charman et al. (2012) contend pathway dependency as the key factor, with South African owners not competing on price because of the historical foundations of spaza shop establishment. Spaza shops were originally established as a result of apartheid, as black people were not allowed to own businesses and so there was an agreement that they would not compete on price to allow anyone to enter the market (Charman et al., 2012). However, this sentiment was not observed in this study. Instead, it is argued that the three contributing factors to successful cooperative relationships are trust, mutual benefit and commitment, as shown in Figure 1, each of which is now discussed in more detail.

### Trust and distrust

A lack of trust was the predominant barrier to emerge from the interviews with the South African owners in Alexandra, and was shown to be present in three important areas of their businesses, namely, the employment of staff to assist in their shops, with some respondents even saying they would not trust family members to manage the shop temporarily; a reticence to work with other spaza owners, including high levels of suspicion of any bulk buying scheme and finally, a general mistrust of others in the community, be they neighbours or customers.

Zakrzewska-Bielawska (2014) refers to the fact that previous negative experiences of collaborating with rivals can act as a barrier to the forming of cooperative relationships and part of this feeling could also be a result of being a victim of crime. Furthermore, the breakdown in trust has led to increased levels of suspicion and a general feeling that township communities are jealous of business success.

The cultural phenomenon of the 'tall poppy syndrome', which describes the situation where a successful person within a community is deliberately set up for failure (Blacklaws, 2001; Mayrhofer & Hendriks, 2003), has been argued to be a barrier to entrepreneurship in South Africa and may account for the reluctance of microentrepreneurs to innovate and upgrade their businesses (Feather, 1989; Yee, Ashkanasy & Härtel, 2003). During our interviews with the South African spaza owners, the respondents referred to the fact that people in the community are often felt jealous at the spaza shop owners' success. This sentiment was expressed a number of times, with one respondent saying that 'they [the community] don't want to see people succeed' (Respondent 6). This would seem to be the tall poppy syndrome in action, where the jealousy of others' success may cause shop owners to be suspicious of another shop owner and thus feel reluctant to trust them in any form of cooperative relationship.

A third possible reason for the mistrust amongst spaza owners is the historical context in which they operate. South Africa's apartheid history has led to the economic marginalisation of township communities where crime is prevalent, unemployment is high and social cohesion is unstable (Charman et al., 2012). This marginalisation and the socio-economic environment in townships can itself lead to a lack of trust amongst people. An article by Brehm and Rahn (1997) analysed data and showed that rising income inequality was a good predictor of a reduction in trust of other people. Kennedy, Kawachi, Prothrow-Stith, Lochner & Gupta (1998) argued that high-income inequality leads to a decrease in social capital, which typically results in an increase in the general mistrust within the community.

### Mutual benefit

The second key factor for a successful cooperative relationship is mutual benefit, which is defined as the situation in which both parties that derive a positive benefit from the relationship as a consequence of the realisation of common interests (Morris et al., 2007). For mutual benefit to work, the anticipated value of cooperation must be higher than the expected cost, where the latter includes the possibility of business failure as a consequence of revealing vulnerabilities in business practices, or the general climate of competition. The argument is that business survival through cooperation presents a more attractive option to South African spaza owners than its absence, where the latter is certainly a contributing factor to the high failure rates of spaza shops currently being observed (Ligthelm, 2012).

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

Morris et al. (2007) asserted that the higher the rivalry between firms, the less likely mutual benefit will occur.

This may also play a role in the context of this study given that spaza shops are relatively homogenous in terms of value offering so rivalry is high. These factors combine to suggest that low levels of mutual benefit also prevent South African spaza shop owners from forming cooperative relationships.

### Commitment

The third factor for successful cooperative relationships is commitment, which in this situation is described as consistent financial and emotional investment in the relationship. The nature of the spaza shop sector in the township environment is survivalist and revenue levels can be inconsistent (Ligthelm, 2008), which means they may not have enough money to contribute to a bulk buying group. Furthermore, most businesses are unable to cope with shocks and tend to be more exposed to macro changes in the economy so if any spaza owners do experience a shock it will disrupt their ability to contribute. While this seems to form part of the cycle that leads to spaza shop failure, it is apparent that at a financial level it is difficult for spaza owners to commit to a cooperative relationship.

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

To summarise this section, the model of successful cooperation involves three interwoven factors, namely, trust, mutual benefit and commitment, with trust playing a key role (see Figure 2). The results show that trust is lacking on the part of South African spaza owners in Alexandra, which really is the core of the problem. Mutual benefit is not well understood as communication is poor and the idea of cooperation between rivals is a new concept to many spaza owners. Finally, commitment to the relationship is difficult in the volatile environment in which many of the spaza owners exist.

### Implications for interventions

A number of the issues raised in the discussion of the results of this study have implications for the design of interventions

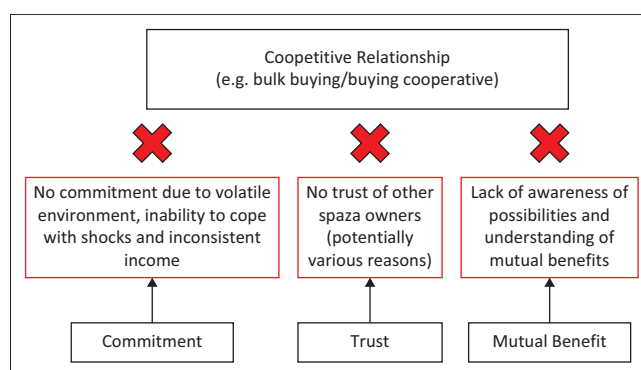


FIGURE 2: Barriers to cooperation.

that are aimed at building business skills of micro and small enterprises in townships. Two major implications are discussed here.

### Education and awareness

At a basic level, one observation from the interviews was that some respondents reported that the idea of bulk buying or sharing transport costs was a new one, so there is clearly a gap for educating spaza shop owners, which is supported in the literature (Chebelyon-Dalizu et al., 2010). For those owners who are aware that foreign owners use cooperative relationships (although not necessarily using that specific term), that they bulk buy and that they possibly have better supplier relationships, there is an opportunity to educate the owners on the benefit of such practices. Mayrhofer and Hendriks (2003) argue that training programmes for microenterprises, especially those that are survivalist in nature, need first to satisfy the practical needs of the owners before theory is introduced, so the idea of cooperation may be something that is introduced once participants are fully engaged in training programme.

### Building trust

The second major implication of these results is that incorporating trust-building initiatives into any programme is vital given that the absence of trust amongst spaza owners is the major barrier to them forming cooperative relationships. Three of the main issues raised by participants in this study that could contribute to building trust were improving communication skills, the provision of opportunities to meet one another and support in organising themselves from a third party.

Communication skills can be taught as part of a skills development programme. In terms of meeting other spaza owners, a project in Cape Town suggested that meeting one another was a good first step to building more trusting relationships (Chebelyon-Dalizu et al., 2010). Similar results have been achieved with the Grandpa Spaza Academy that facilitates group learning sessions and provides spaza owners the chance to meet, share challenges and learn from each other's experiences.

To summarise this section, there are two implications arising from this study for interventions, namely, the importance of trust building and the education of spaza owners on the benefits of cooperation. Neither of these requires the development of new resources at vast expense and can easily be integrated into an existing skills development programme.

## Conclusion

The results of the study confirmed the initial assertions, in line with the literature, that the spaza shops in this cohort are being challenged on price by foreign-owned spaza shops and that in this landscape, price is an important factor affecting purchasing decisions. Although cooperation offers the

opportunity to reduce costs and hence become more price-competitive, it was demonstrated that the South African owners in the sample population are not forming such relationships as a consequence of a lack of trust, poor understanding of the mutual benefit of cooperation and a general socio-economic environment in the township within which developing a commitment to long-term stable and trusting relationships is difficult, if not impossible.

The study has also shown that there may be weaknesses in the foreign spaza value offering, including poor customer service, fake goods and hygiene issues, which presents an opportunity for South Africans to regain market share if they could compete on price. These weaknesses suggest that the education of shop owners on the advantages of cooperation, and the importance of building trust and social networks through improved communication skills and meeting platforms, could help to rebuild the competitive position of this cohort.

Finally, it is noted that the study was able to cover only a small cohort of shop owners, and that the extrapolation of the results to the broader population of owners in South Africa is not possible. In this sense, the implications of the study to a more expansive understanding of ongoing challenges to spaza shop owners in South Africa are limited. Further work is required, firstly, to confirm the main results of the study, and secondly, to validate the main recommendation from the study, namely, to establish training programmes in this cohort on the benefits of cooperation.

A second limitation of the study relates the possibility that the respondents would not give full and honest answers to the researcher, as a result of language barriers and interview biases. As noted by Warner (1965), respondents will attempt to evade certain questions, the answers to which could reflect negatively on them. Moreover, the approach of open-ended questioning, which is necessary in exploratory, qualitative studies such as this study, raises issues of interpretation and interviewer bias. For this reason, a research assistant was present to help reduce the risk of biased answers and interpretations, although it is acknowledged that this approach would not have solved the problem completely.

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

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### Competing interests

The authors have declared that no competing interest exist.



## Author's contributions

C.H. undertook the research as part of his MBA studies and wrote the original research report. D.W. supervised and prepared the article based on the results of the research and the research report.

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## Data availability statement

Transcripts of the interviews are available on request from the corresponding author.

## Disclaimer

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of any affiliated agency of the authors.

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