

## SECTION 1. Macroeconomic processes and regional economies management

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### A unique market offering by formal independent retail and wholesale small businesses in Soweto Township, South Africa

#### Abstract

The rationale for this study is to determine how independent formal small retail and wholesale businesses compete against increasing competition mainly from large retail chains located in new shopping malls in Soweto. Soweto was one of the biggest segregated townships in South Africa during the apartheid era and in 2005 the City of Johannesburg focused on stimulating the economic activity of Soweto. The fundamental ways in which small and large businesses differ, influence the way they compete. According to literature businesses can compete within three competing disciplines, namely operational excellence, product leadership and customer intimacy. Each discipline consists out of a unique combination of elements known as price-related, product-related and customer service-related elements. This study investigates the sustainability of independent formal small retail and wholesale businesses in Soweto by identifying the unique market offering that they have to present to their customers to compete successfully in the market. The research was conducted by means of a questionnaire and personal interviews with a sample of 650 small businesses in Soweto. With this quantitative study, it was found that independent formal small retail and wholesale businesses that focused on product-related (product quality, product variety and best brands) elements in their market offering as the main competing discipline, tend to survive and grow.

**Keywords:** competitive advantage, wholesalers, retailers, small business, large business, Soweto, sustainability, market offering.

**JEL Classification:** M31.

#### Introduction

Worldwide small businesses are perceived as being important for the income, growth and prosperity of individuals, the community and the economy (Katz & Green, 2012). Small businesses have also been described as the “fuel of national economic engines” and the “seeds of future big businesses” (Abor & Quartey, 2010). Internationally, small business activity has been perceived as playing a lesser role in their economic contribution than their larger counterparts (Curran & Blackburn, 2001). When comparing small businesses to large businesses in this regard in South Africa, small businesses’ contribution should not be ignored. Whilst small businesses contribute up to 90% of GDP internationally, South African small businesses have contributed between 34% and 50% of South Africa’s total gross domestic profit since 2012. Furthermore, the South African small business sector employs 60% of the South African labor force (South African Institute of Professional Accountants, 2012; The Banking Association of South Africa, 2013; FinScope, 2014). Since the role of small businesses in a country’s economy has increased over time, it is important that governments focus on the development of small businesses (Olawale & Garwe,

2010). Numerous governments already implemented policies to protect and stimulate the development of small businesses. One of the main objectives of these policies is to grant small business a fair opportunity to compete against larger businesses in the economic market (Ncube & Paremoer, 2009; Mansted & Marshall, 2008).

The South African Government has shown a willingness to prioritize the stimulation of entrepreneurship through different policies and programs, as well as the protection of small businesses through the Competition Act no. 89 of 1998. Unfortunately, unemployment figures and various world reports do not confirm these efforts. For example, the Global Entrepreneurship Monitor Survey reports on South Africa’s below average entrepreneurial and small business activity (World Economic Forum, 2012). South Africa ranks 39 out of 185 economies in terms of the ease of doing business in South Africa according to The World Bank (2013). In addition, based on the Global Competitiveness Report 2012-2013 (World Economic Forum, 2013), South Africa is ranked 52<sup>nd</sup> out of 144 countries and 53<sup>rd</sup> of 148 economies in 2013-2014 (World Economic Forum, 2014). The South African situation is therefore not as good as it should be if one can assume that there is some form of positive relationship between entrepreneurship and economic growth and employment creation. Clearly, further measures should

be taken to provide additional assistance to small businesses in South Africa as smaller businesses are bound to lose their market share if large businesses successfully meet the requirements of a target market (Tustin & Strydom, 2006).

Competition is thus the biggest universal challenge faced by small businesses (Scarborough, 2011). In a marketplace characterized by a high degree of competition, consumers can expect the best quality products at the lowest prices (Mansted & Marshall, 2008). These authors are clear on the fact that inefficiencies and imbalances in market power will force the weaker organizations to withdraw if they cannot face intense competition. Curran and Blackburn (2001) refer to the unique situation small businesses face based on their inability to influence the market environment in which they operate. As a result in the small business management decisions are dictated completely by the market. In order to survive then, small business owners need to identify the competitive advantage they have over competing large businesses and adjust their market offering accordingly.

This article explores the competitiveness of independent formal small retailers and wholesalers in Soweto by means of a literature study and a survey. The focus of this article will be on the unique market offering that should be developed to ensure competitiveness and sustainability for the independent small formal retailers and wholesalers in Soweto against the larger businesses that have entered their economic market through the Soweto Township Development Program.

## 1. Literature review

**1.1. Background literature.** In the post-apartheid period after 1994 the new South African government immediately prioritized the development of black-owned businesses as part of developing the South African small business economy (Rogerson & Rogerson, 1997). During the apartheid era legislation enabled the government to remove all “non-white” people into segregated townships. People were forced to move to their designated “group areas”. In 1950, 60000 people were moved to the new township of Soweto (South Western Township). Soweto is the largest formerly disadvantaged township in South Africa and was incorporated into the Greater Johannesburg Metropolitan area in 2001. The priority of the City of Johannesburg to fully integrate Soweto and to stimulate economic activity lead to the formulation of the Soweto Retail Strategy in 2005 (as part of the Soweto Development Initiative) and the Township Development Program for Soweto in 2008.

A substantial percentage of the South African disposable income gradually shifted towards African consumers and larger retailers reacted swiftly to redirect their retail growth strategies towards this new expanding market (Tustin & Strydom, 2006). Between 2005 and 2007, as part of the Soweto Township Development Program, four large shopping malls were built (Grant, 2010; & Zondi, 2011), housing well-known national retail chains. This increased the competition faced by small businesses in Soweto. Ligthelm (2008) confirmed that the four large shopping malls have had a negative impact on the surrounding small retailers. A 47% decline in business activity was reported by small retailers within the first six months of the malls’ existence. The question to ask is: *how can formal independent small businesses compete and survive against the strong competition from larger retailers?*

Both qualitative and quantitative measures can be used to show the fundamental differences between small and large businesses. Curran and Blackburn (2001) refer to Wynarczyk, Watson, Storey, Short and Keasey’s (1993) qualitative measures of uncertainty, innovation and evolution as key differentiators. Despite criticism against these qualitative measures due to the varying circumstances within the small business sector, Wynarczyk et al. (1993) state that small business are left to be price-takers because of factors, such as their vulnerability, exposure to a larger range of changes, limited customer base, lacking resources and inability to cope with external factors. On the quantitative side, small retailers differ from large businesses in terms of size and turnover. Other distinguishing factors refer to ownership and management (Hugo & Badenhorst-Weiss, 2012). These differences between small businesses and large businesses influence the way in which they compete.

Ligthelm (2010), in a longitudinal study between 2007 and 2009, found that the following emerged as strong predictors of Sowetan independent small business survival, compared to businesses established in malls: selling similar products, offering better customer service, offering better product quality than businesses in a mall and selling cheaper products than those available from the mall. These aspects confirm the different potential sources of a competitive advantage for small businesses and were translated on operational level in survival strategies (based on realigning with the changing customer profile and demand structures), such as realigning product lines, reducing product lines and stock levels, adjusting the pricing strategy to ensure competitiveness, introducing convenience premiums and a strong focus on customer service (Ligthelm, 2010).

The wholesalers and retailers currently located in Soweto are mainly serving price-sensitive or price-conscious consumers still shopping within the boundaries of this township (Strydom, 2013), probably by following survival strategies (Ligthelm, 2010) in order to stay competitive amidst large shopping malls. The reasons for focusing this study on Sowetan businesses are confirmed by both Nkosi, Bounds and Goldman (2013) and Strydom (2011) and are based in the fact that the Soweto Township has always been viewed as a leading city where innovative approaches are actively followed, besides Soweto being a retail trendsetter for other townships in South Africa.

### 1.2. Sustainability and competitive advantage.

Business sustainability aims to create shareholder value over the long run by acting on opportunities and managing risks emanating from economic, environmental and social responsibilities (Pojasek, 2007). Being sustainable would imply being able to respond to short-term financial needs without harming the ability to meet future needs (Bansal & DesJardine, 2014). For the purpose of this study, the sustainability of the small businesses will be determined by examining business age, turnover and turnover trend as indicators of sustainability.

Success in a small business relies on numerous factors of which the following seem to be the main factors: identifying a competitive advantage, remaining flexible and innovative, cultivating a close relationship with customers and striving for quality (Hatten, 2012). A *competitive advantage* refers to that differentiating factor that drives

customers to buy from a specific business rather than from their competitors. The key, however, to business success is to develop a unique competitive advantage that creates value for customers and is difficult to duplicate (Scarborough, 2011).

The sustainability of a competitive advantage relies on developing a set of core competencies which can enable the business to serve the selected target customers better than its competitors do. The core competencies of small businesses particularly relate to the advantages of being small. Scarborough (2011) suggests that when defining a business competitive advantage, the small business owner should consider the following: *products* they sell (uniqueness, savings in terms of time, money and energy for the customer, environmental friendliness, and convenience); *service* they provide (closeness to customer can result in superior service for value-adding and a superior shopping experience); *prices* charged (decision to offer low prices or value at probable higher prices); and *the way* they sell (business hours required by customers).

In line with Scarborough (2011), Hatten (2012) proposes that for any business to serve its targeted customers better than their competitors the following three competing disciplines should be considered: *operational excellence*, *product leadership* and *customer intimacy*. Another author supporting Hatten's (2012) and Scarborough's (2011) line of thinking is Bressler (2012). In Table 1 a summary is provided of how these three competitive disciplines can be constructed to create and maintain a competitive advantage.

Table 1. Three competing disciplines

Three competing disciplines:	Operational excellence	Product leadership	Customer intimacy
Definition:	Focus on effective operations to keep costs low.	Being innovative by improving the best products available, regardless of price.	Focus on building long-term customer relationships.
Possible ways of creating a competitive advantage:	Offering the best price, lower and lowest-priced products to customers.	Offering unique, economical, convenient, environmentally friendly, high quality, value products to customers.	Offering the best individual service, convenience, closeness, convenient shopping hours, speedy response and closeness to customers.

Source: Bressler (2012), Hatten (2012) and Scarborough (2011).

A unique market offering can be focused on one of the three competing disciplines. However, if a business decides to only focus on one of the three competing disciplines, they are not abandoning the remaining two competing disciplines. As a result they are focussing on a competing discipline that will provide them with the best competitive advantage.

## 2. Primary research objective and hypotheses

Small businesses in a modern township, such as Soweto, face increasing competition from large retail chains that are located in new shopping malls within the boundaries of Soweto. Therefore, the primary

objective of this study is to investigate the sustainability of independent formal small retail and wholesale businesses in Soweto by identifying the unique market offering that they have to present to their customers to compete successfully in the market.

The following hypotheses (H1-H4) were formulated to determine the most important elements to include in the unique market offering:

*H1: A relationship exists between each of the sustainability variables and each of the differentiation variables.*

*H2: There is a statistical significant difference between the four business **age** groups with regard to the importance of:*

- ◆ *quality products;*
- ◆ *best brands;*
- ◆ *enough product variety as marketing aspects.*

*H3: There is a statistical significant difference between the five **turnover** groups with regard to the importance of:*

- ◆ *quality products;*
- ◆ *best brands;*
- ◆ *enough product variety as marketing aspects.*

*H4: There is a statistical significant difference between the three **turnover trend** groups (contracted, stay the same, expanded) groups with regard to the importance of:*

- ◆ *quality products;*
- ◆ *best brands;*
- ◆ *enough product variety as marketing aspects.*

Before addressing the hypotheses, a discussion of the research methodology and a description of the key profile aspects are necessary.

### 3. Research methodology

In this section a discussion of the sampling, methodology and research findings of the representative sample of small businesses in the Soweto Township follow.

**3.1. Sampling and methodology.** For this study, a survey was conducted in 2012 among a representative sample of small businesses in the Sowetan Township. The universe of this study consisted of formal, independent small businesses situated in Soweto, including shopping malls, large shopping areas (outside shopping malls), smaller shopping areas, single demarcated business stands and industrial areas. For the purposes of this study, formal businesses refer to that part of the economy where businesses operate with fairly well-developed systems and are incorporated into the formal economic and fiscal structures, which implies payment of relevant taxes and being captured in government statistics. The sample excluded branches of chain stores, franchises, street vendors, home-based businesses (such as spaza and tuck shops), professional and business services and transport businesses (passenger bus transport and taxis).

Interviews were conducted with the owners or managers of the businesses, since the measurement of entrepreneurial ability to compete and survive forms an important element of this study. The absence of a list of small businesses operating in Soweto

necessitated the use of a multi-stage quota sampling methodology. The total sample was allocated according to different segments, namely shopping malls, shopping centres outside malls and industrial areas. At least 50 independent businesses in shopping malls had to be included in this study. In addition, at least 50 stand-alone and businesses in small shopping centres outside malls had to be selected randomly in the following segments: shopping centres with between two and five businesses (maximum two interviews per centre); shopping centres with between six and ten businesses (randomly every second business); shopping centres with between 11 and 20 businesses (randomly every third business); and shopping centres with more than 20 businesses in the centre (randomly every third business). The sample was set at 650 businesses which included wholesalers, retailers and small manufacturers. For the purposes of this article, the responses of only the retailers and wholesalers were analyzed, constituting 497 respondents.

Trained fieldworkers conducted face-to-face interviews and strict ethical principles were adhered to. The completed questionnaires were checked for inconsistencies and omissions and the captured data were processed and analyzed using SPSS v21.

Both descriptive and inferential statistical methods were used to analyze the data. Parametric and nonparametric tests were used. Spearman's Rho rank-order correlation coefficients were used to evaluate the strength of the relationship between two ordinal scaled variables. A nonparametric test, the Kruskal-Wallis test, were also used due to the variables investigated being measured on an ordinal scale. The Kruskal-Wallis test is regarded as the non-parametric alternative to the regular one-way analysis of variance and is used to compare the medians of three or more independent samples.

The empirical findings are subsequently presented, starting with a profile of the respondent group, market knowledge and the importance of the different elements of the market offering.

**3.2. Research findings. 3.2.1. Profile of businesses.** Generally, business **age** can be an indication of the entrepreneur's business experience and ability to survive. Since just more than half of the businesses (50.3%) were *five years and older*, a fairly high level of business maturity can be assumed for this category (see Table 2). With 19.9% of the businesses in operation for at least three years, but less than five years, most wholesale and retail owners interviewed in this study (70.2%) had therefore been in operation for three years and more. On the other hand, survey findings confirmed new entrants into township

businesses, with 13.3% of the respondents in operation for less than a year. These findings are in line with the general rule of thumb used by practitioners, as well as international statistics, that 50% of small businesses cease trading by the fifth year.

When analyzing the **turnover** during the past month, the majority (62%) showed an income of between R5000 and R30000 during the past month (see Table 2); thus truly representing small businesses. (The concepts turnover and income were used as synonyms in the questionnaire.)

With regard to **growth tendencies** in terms of turnover, the majority (85.1%) of the respondents indicated that their businesses had either expanded

(50.9%) their income during the past year (see Table 2), or remained unchanged (34.2%). Despite the perceived increase in competition posed by large retail chain stores located in new shopping malls in Soweto, the majority of small businesses still experienced growth tendencies in income and thus seemed to compete successfully.

It can be concluded that the average formal retail and wholesale small business in Soweto is characterized as being in operation for three or more years, has an average monthly turnover of between R5000 and R30000 and remained the same or expanded in terms of turnover their business during the past year.

Table 2. Key profile aspects of respondents

Key profile aspect	Number of respondents	Percentage (%) of respondents
Age of business		
Less than 1 year	66	13.3
1 year but less than 3 years	82	16.5
3 years but less than 5 years	99	19.9
5 years and longer	250	50.3
Turnover past month		
Less than R5000	65	13.1
R5000 – R10000	158	31.8
R10001 – R30000	150	30.2
R30001 – R50000	78	15.7
R50001 – R100000	33	6.6
More than R100000	13	2.6
Change in turnover during past year		
Expanded	253	50.9
Contracted	69	13.9
Remained the same	171	34.4
(Missing value=4)		

Source: compiled by authors from survey results.

**3.2.2. Market knowledge.** When the respondents were asked whether they know their target market well, 478 (96.2%) confirmed that they do. Of the aforementioned group, 427 (85.9%) respondents were able to describe their target market as being the *local community*. Having the community as the main target market implies a closeness to the market with all the attached advantages of having a close target market. A median value of four confirmed the result that 56.9% agreed and strongly agreed that they perform a competitor analysis regularly to ensure that they have sufficient knowledge about their competition within the target market. From these findings it can be deduced that the respondents know the consumers and competitors in their market environment.

**3.2.3. Elements of a differentiating market offering.** When the small business owners were interviewed for this study, they were asked if they had

differentiated themselves from their competitors. About 86.1% confirmed that they attempted to differentiate their businesses from competitors. They were also requested to rate the relative importance of the variables used to differentiate their business on a five point scale, ranging from unimportant (rating = 1) to very important (rating = 5). Although all the identified attributes yielded relatively high scores (see Table 3), the following was found when grouping the responses 4 and 5, signalling a rating of important and very important: *price* (78.3%), *close relationship with customers* (76.7%), *shopping hours* (75.1%) and *personal attention* (74.7%) stood out as variables rated as important by respondents for differentiating the business from competitors. *Physical location* and *regular promotions* were rated as important or very important by respectively 68.2% and 62% of the respondents. These survey findings confirmed literature findings (refer to Table 1), on ways in which small business owners can differentiate

their businesses. From this survey, price was indicated as the most common way in which businesses differentiate themselves from competitors. A close relationship, personal attention and physical location are the typical advantages that small businesses have above their larger counterparts due to closeness. Finally, shopping hours and regular promotions were highlighted as differentiating variables.

Table 3. Relative importance of differentiating variables

Attribute	Percentage (%) of respondents that rated the attribute as important or very important
Price	78.3
Close relationship with customers	76.7
Shopping hours	75.1
Personal attention	74.7
Physical location	68.2
Regular promotions (e.g. advertising)	62.0

Source: compiled by authors from survey results.

The above findings are, to some extent, in line with the responses on the question where the respondents were required to rate the importance of a predetermined list of 15 marketing aspects on a 5-point scale, where 1 was very unimportant and 5 was very important.

Table 4 shows the percentages of respondents rating the various marketing aspects as part of the market offering as important and very important (4 and 5). The following three marketing aspects yielded the highest score: *quality of products* (95%), *enough product variety* (89.1%) and *near to customers* (87.3%). In the question about differentiation (refer to Table 3), 'product quality' and 'product variety' were not given as options, which is a weakness in the questionnaire. It becomes clear with the question on marketing aspects that the **product**, specifically *quality*, *variety* and *brands*, is an important part of their market offering. It is slightly more important than price. The importance of best value prices and lowest prices in the area also scored high with respectively 85.3% and 76% indicating that these price-related issues also seem to be important to very important to the respondents. From this study, three different groups of differentiating elements can be identified, namely *price-related*, *product-related* and *customer service-related*. In literature, these three elements are referred to by Hatten (2012) as *operational excellence*, *product leadership* or *customer intimacy*.

Hatten (2012) also encourages businesses to focus on one of the three competing disciplines (*operational excellence*, *product leadership* or *customer intimacy*). Such a focus will ensure that the business clearly defines its position within their customers' minds and equips the business to compete better against

competitors. After taking the ratings of the relative importance of the differentiating variables (Table 3) and the ratings of the importance of the different marketing aspects (Table 4) into consideration the findings confirm the literature, stating that a business which decides to focus on one competing discipline (in this case product) will not neglect another competing discipline (in this case price). It is clear that small formal retail and wholesale businesses in Soweto focus on a *product leadership* discipline. The top 10 marketing aspects are indicated in Table 4.

Table 4. Rating of the importance of marketing aspects

Marketing aspect	Percentage (%) of respondents rating the marketing aspects as important (4) or very important (5)
Quality of products	95.0
Enough product variety	89.1
Near to customers	87.3
Best value prices	85.3
Best brands	84.9
Visual appearance of shop	83.3
Near public transport	79.0
Lowest prices in area	76.0
Appealing in-store appearance	75.8
Fast checkout	73.0

Source: compiled by authors from survey results.

In conclusion, the small businesses regarded the marketing aspects of quality of products, enough product variety, location (near to customers), best value pricing and best brands as the most important marketing elements for the business market offering.

Further inferential statistics were subsequently done in terms of the different *differentiating variables* and *marketing aspects* of the market offering to determine the different elements' relationships with sustainability (age, turnover, turnover trend). The following discussion is structured to first state the relevant hypotheses followed by the statistical analysis.

### 3.2.4. Sustainability and differentiating elements of a market offering: correlation analysis.

#### Hypothesis 1

H<sub>0</sub>: No relationship exists between each of the sustainability variables and each of the differentiation variables.

H<sub>1</sub>: A relationship exists between each of the sustainability variables and each of the differentiation variables.

A correlation analysis was used to test hypothesis 1. Statistical correlation evaluates the strength of the relationship between two variables. Spearman's Rho rank-order correlation coefficients were used as variables that indicate sustainability (age of business, turnover and trend in turnover) and the differentiation variables are ordinal data.

Table 5. Correlation elements of differentiation and sustainability

			Age of business	Price	Shopping hours	Personal attention	Close relationship with customers	Regular promotions	Physical location
Spearman's Rho	Age of business	Correlation Coefficient	1.000	-.022	-.089*	.001	.041	.002	.044
		Sig. (2-tailed)	.	.608	.035	.989	.329	.970	.296
		N	653	567	567	567	565	566	565
	Turnover	Correlation Coefficient	.080*	.088*	.037	.012	-.020	.018	-.024
		Sig. (2-tailed)	.042	.036	.385	.771	.638	.664	.568
		N	653	567	567	567	565	566	565
	Turnover trend	Correlation Coefficient	.086*	.274**	.299**	.283**	.204**	.377**	.232**
		Sig. (2-tailed)	.028	.000	.000	.000	.000	.000	.000
		N	649	564	564	564	562	563	562

Source: compiled by authors from survey results.

The results in Table 5 indicate that statistical significant relationships exist at a 5% (for (1) and (2)) and 1% (for (3)) levels of significance between:

1. the *age of a business* and the importance of shopping hours as a differentiating factor ( $p = 0.035$ ). However, the relationship is *very weak* (Spearman's Rho = -0.089) and *negative*, indicating that shopping hours are considered less important as a differentiating factor the longer the business exists;
2. the *turnover* of the business and price as a differentiating factor ( $p = 0.036$ ). The relationship is *very weak* (Spearman's Rho = 0.088), but *positive*, indicating that price is considered more important as a differentiating factor by businesses with a higher turnover; and
3. the *turnover trend* (contracted, stay the same or expanded) and the importance of price, shopping hours, personal attention, close relationship with customers, regular promotions and physical location were tested as differentiating factors. If one looks at the *moderate* relationships above, it is clear that businesses that are growing in terms of income regard price, shopping hours, personal attention, regular promotions, personal relationships and physical location are more important as part of their market offering than businesses with status quo and shrinking incomes. Regular promotions seem to have a slightly stronger relationship than the other differentiation factors.

Table 6. Results of Spearman's Rho analysis

Factor ( $p = 0.000$ )	Spearman's Rho	Relationship
Price	0.274	Moderate
Shopping hours	0.299	Moderate

Personal attention	0.283	Moderate
Close relationship with customers	0.204	Moderate
Regular promotions	0.377	Moderate
Physical location	0.232	Moderate

Source: compiled by authors from survey results.

3.2.5. *Sustainability and product-related elements (marketing aspects)*. From Table 4, it becomes clear that besides the differentiating options given to the respondents in Table 3, product-related elements (quality products, best brands and enough product variety) stood out as the most important elements in the market offering of small businesses.

Hence, the hypothesis below and the associated inferential tests are used to determine the relationship between sustainability (age, income, income tendency) and the three product-related elements given to the respondents.

1. Age and the three product-related differentiating elements

#### Hypothesis 2

$H_0$ : There is no statistical significant difference between the four business *age* groups with regard to the importance of

- ◆ quality products;
- ◆ best brands;
- ◆ enough product variety as marketing aspects.

$H_1$ : There is a statistical significant difference between the four business *age* groups with regard to the importance of

- ◆ quality products;
- ◆ best brands;
- ◆ enough product variety as marketing aspects.

The results of the Kruskal-Wallis test are tabled below.

Table 7. Kruskal-Wallis test: sustainability and product-related elements

	Quality products	Best brands	Enough product variety
Chi-square	6.750	14.176	12.260
Df	3	3	3
Asymptotic significance	.080	.003	.007

Source: compiled by authors from survey results.

The results indicated that statistical significant differences exist at the 1% level of significance between the business age groups with regard to the importance of *best brands* ( $p = 0.003$ ) and *enough product variety* ( $p = 0.007$ ) as marketing aspects.

Table 8: Ranks of age with product-related elements

	How long has the business been in operation?	Mean rank
Best brands	Less than 1 year	287.85
	1 year but less than 3 years	310.94
	3 years but less than 5 years	365.30
	5 years and longer	325.68
Enough product variety	Less than 1 year	332.63
	1 year but less than 3 years	334.13
	3 years but less than 5 years	362.32
	5 years and longer	307.78

Source: compiled by authors from survey results.

Furthermore, the mean ranks (Table 8) indicate that the businesses that were in existence between three and five years tended to consider both *best brands* and *enough product variety* as more important than the other business age groups (mean rank = 365.3 and 362.3 respectively). The group of businesses that existed for less than a year tended to consider *best brands* as the least important (mean rank = 287.9) of all the groups, while the group of businesses that existed longer than five years tended to consider *enough product variety* less important than the other groups (mean rank = 307.8).

## 2. Turnover and the three product-related differentiating elements

### Hypothesis 3

H<sub>0</sub>: There is no statistical significant difference between the five *turnover* groups with regard to the importance of:

- ◆ quality products;
- ◆ best brands;
- ◆ enough product variety as marketing aspects.

H<sub>1</sub>: There is a statistical significant difference between the five *turnover* groups with regard to the importance of:

- ◆ quality products;
- ◆ best brands;
- ◆ enough product variety as marketing aspects.

The results of the Kruskal-Wallis test are tabled below.

Table 9. Kruskal-Wallis test: turnover and product-related elements

	Quality products	Best brands	Enough product variety
Chi-square	12.560	4.894	10.901
Df	4	4	4
Asymptotic significance	.014	.298	.028

Source: compiled by authors from survey results.

The results indicated that statistical significant differences exist at the 5% level of significance between the turnover groups with regard to the importance of *quality products* ( $p = 0.014$ ) and *enough product variety* ( $p = 0.028$ ) as marketing aspects.

Furthermore, the mean ranks (Table 10) indicate that the businesses which turnover was between R30000 and R50000 per month tended to consider both *quality products* and *enough product variety* as more important than the other turnover groups (mean rank = 358.7 and 351 respectively). The group of businesses which turnover was less than R5000 per month tended to consider both *quality products* and *enough product variety* as the least important (mean rank = 297.5 and 294.2 respectively) of all the groups.

Table 10. Ranks of turnover and product-related elements

	Turnover per month	N	Mean rank
Quality products	Less than R5000	92	297.52
	R5000 – R10000	200	319.39
	R10000 – R30000	202	337.91
	R30000 – R50000	97	358.68
	Above R50000	62	310.18
	Total	653	
Enough product variety	Less than R5000	92	294.16
	R5000 – R10000	200	310.73
	R10001 – R30000	202	342.23
	R30001 – R50000	97	350.96
	Above R50000	62	341.11
	Total	653	

Source: compiled by authors from survey results.

## 3. Turnover trend and the three product-related differentiating elements

### Hypothesis 4

H<sub>0</sub>: There is no statistical significant difference between the three *turnover trend* groups (contracted, stay the same, expanded) with regard to the importance of:

- ◆ quality products;
- ◆ best brands;
- ◆ enough product variety as marketing aspects.

H<sub>1</sub>: There is a statistical significant difference between the three *turnover trend* groups (contracted, stay the same, expanded) groups with regard to the importance of:

- ◆ quality products;
- ◆ best brands;
- ◆ enough product variety as marketing aspects.



Table 11. Kruskal-Wallis test: income trend and product-related elements

	Quality products	Best brands	Enough product variety
Chi-square	42.440	47.410	23.397
Df	2	2	2
Asymptotic significance	.000	.000	.000

Source: compiled by authors from survey results.

The results (see Table 11) indicated that statistical significant differences exist at the 1% level of significance between the turnover trend groups with regard to the *importance of quality products, best brands and enough product variety* ( $p = 0.000$ ) as marketing aspects.

Table 12. Ranks income trend and product-related elements

	Turnover trend	N	Mean rank
Quality products	Contracted	79	272.92
	Stay the same	212	292.64
	Expanded	358	355.66
	Total	649	
Best brands	Contracted	79	276.59
	Stay the same	212	278.33
	Expanded	358	363.32
	Total	649	
Enough product variety	Contracted	79	268.53
	Stay the same	212	304.04
	Expanded	358	349.87
	Total	649	

Source: compiled by authors from survey results.

Finally, the mean ranks (Table 12) indicated that the businesses which turnover trend was decreasing, tended to consider *quality products, best brands and enough product variety* as less important than the other turnover trend groups (mean rank = 272.9, 276.6 and 268.5 respectively). The group of businesses which turnover trend had expanded (increased), tend to consider *quality products, best brands and enough product variety* as more important than the “stay the same” group (mean ranks = 355.7, 363.3 and 349.9 respectively).

In view of the empirical findings it can be concluded that *best brands* and *enough product variety* is considered as the most important product-related elements for businesses that have been in existence for three to five years. Businesses with a turnover of between R30000 and R50000 per month valued the product-related elements, of *quality of products* and *enough product variety* as more important than businesses with a turnover less than R5000. All three product-related elements (*quality products, best brands and enough product variety*) were present when determining their importance with regards to the turnover trend of the businesses. A business with

a decreasing turnover trend regarded the product-related elements (*quality products, best brands and enough product variety*) as less important than businesses with an increasing turnover trend.

## Conclusion

Small businesses in Soweto face increasing competition from large retail chains located in shopping malls. In order to survive and grow, small business owners need to identify and focus on the competitive advantage they have over competing businesses (both large and small).

The primary aim of this study was to investigate the sustainability of independent formal small wholesale and retail businesses in Soweto by identifying the unique market offering that they have to present to their customers to successfully compete in the market amidst intense rivalry with large businesses.

It was found that the respondents knew their target market well and identified the market as the *local community*. Most businesses strongly agreed that they perform a competitor analysis regularly enabling them to have knowledge of their competitors within the specific target market.

Small business owners can obtain a competitive advantage by differentiating themselves with a unique market offering, based on *operational excellence, product leadership and customer intimacy*. In this study, it was found that the respondents differentiated themselves by price, close relationship with customers, shopping hours, personal attention, physical location and regular promotions. The following marketing aspects were also identified as important in the market offering: the quality of products, enough product variety, near to customers, best value for prices and best brands.

With statistical testing of the results, it was found that there was a relationship, though weak, between the differentiating factor of shopping hours and age of the business. Shopping hours as a differentiating factor is more important for new businesses, which could be explained that the small businesses use shopping hours to get the foot in the door. A relationship was also found between price and turnover; however, a weak relationship. Price was considered as more important by businesses with a high turnover. Obviously, small business owners with a low turnover cannot afford to ask lower prices, but in larger businesses, price is an important part of the market offering, which may contribute to a further increase in turnover.

A moderate relationship was found between the turnover trend and price as differentiation variable. The growing businesses considered price as more

important than the businesses that experienced no growth or a decrease in income. Likewise, a relationship was found between shopping hours and turnover trend. Growing businesses regarded shopping hours as a more important differentiating factor than those with the same or decreasing turnover. The same relationships were found with personal attention, close relationship with customers, regular promotions and physical location. It seems that growing businesses were far more aware of their market offering than those who stayed the same and those who experienced a decrease in income.

The businesses that were in existence between three and five years tended to consider both best brands and enough product variety as more important than the other business age groups. This can possibly be explained that this group is trying to establish itself further in the market by experimenting with variety and branded products. The group of businesses that existed less than a year tended to consider best brands as the least important, which can obviously be the result of limited resources available to establish the business and that they cannot afford to purchase expensive stock. The group of businesses that existed longer than five years tended to consider enough product variety as less important than the other groups. This can possibly be explained that, after so many years, they know what their customers want and limit the variety. Limiting variety and stock are survival strategies suggested by Ligthelm (2010, refer to literature study).

Businesses whose monthly turnover ranged between R30000 and R50000 indicated that they consider quality products and enough product variety as more

important than the other turnover groups. The relatively high monthly turnover can be ascribed to the possibility that customers will rather shop at these businesses because they know that they will find a specific brand of a product they are looking for at a high quality.

The businesses whose turnover trend decreased tended to consider quality products, best brands and enough product variety as less important than the other turnover trend groups. The group of businesses whose turnover trend had expanded (increased) tended to consider quality products, best brands and enough product variety as more important than the “stay the same” group. From these findings, it became clear that businesses that do not pay attention to their market offering will lose market share and face the possibility of failure.

The research question can thus be answered by saying that the small businesses in Soweto can compete, survive and grow, even with increased competition and difficult economic conditions, by knowing their customers, by doing a regular competitive analysis and by providing a unique market offering to their customers. According to literature this unique market offering can be classified under one of the three competing disciplines (see Table 13). The main literature and empirical findings are presented in Table 13 to show the unique elements small Soweto businesses should focus on when developing their market offering to satisfy the needs of the local community within the boundaries of the Soweto Township. In Table 13 can be seen how the literature findings are confirmed by the empirical findings.

Table 13. Alignment of literature and empirical findings

Three competing disciplines:	Operational excellence	Product leadership	Customer intimacy
Possible ways of creating a competitive advantage according to the literature:	Offering the best price, lower and lowest-priced products to customers.	Offering unique, economical, convenient, environmentally friendly, high quality, value products to customers.	Offering the best individual service, convenience, closeness, convenient shopping hours, speedy response and closeness to customers.
Empirical findings: focus of market offering	Price-related elements	Product-related elements	Customer service-related elements
Unique elements of the market offering of Soweto small business	Price Regular promotions Best value prices	Quality of products Variety of products Best brands	Close relationship Shopping hours Personal attention Physical location Near customers

Source: compiled by authors from survey and literature results

It follows from literature (Hatten, 2012) that if a business focuses on only one of the three competing disciplines they are not abandoning the remaining two competing disciplines. Businesses would be focussing on the competing discipline that will provide them with a sustainable competitive advantage. From the study, it seems that small formal retail or wholesale businesses in Soweto aged three years and older with a

monthly turnover of between R5000 and R30000 and maintaining or increasing their turnover trend should focus on the *product leadership competing discipline* to survive and grow. By focusing on the product leadership competing discipline their unique market offering will consist of the *product related elements* of product quality, product variety and best brands to ensure that they will be a sustainable business.

Through increased marketing knowledge small business owners will be empowered to successfully blend the different marketing mix variables in serving their market with the demanded market offering. More advanced marketing knowledge will sharpen small

business owners' perceptiveness to changes in consumer preferences and shopping patterns to adapt the focus of the market offering to include more product-related elements as the main competing discipline.

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