

Developing a management framework for sustainable retail small, medium, and micro-enterprises in Limpopo, South Africa

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DECLARATION

I hereby declare that this dissertation is my work and has not been submitted to any institution before. I declare that this work has not been plagiarised, nor did I violate any copyright restrictions. I declare that I gave due references to all the sources used in the dissertation and that the sources are entirely and accurately referenced in the list of references.

NKOANE KABELO KUPA

ABSTRACT

Retail small, medium, and micro-enterprises (SMMEs) are supposed to sustain themselves without any subsidies and contribute to the economy by decreasing national unemployment and alleviating poverty. Native rural retail SMMEs in South Africa cannot support themselves or contribute to a national call to reduce unemployment and poverty levels since immigrant retail SMMEs have become the dominant competitive force in the market. Research on retail SMMEs focuses mainly on how immigrant retailers outcompete retail SMMEs and does not provide any meaningful solutions for native retailers to sustain their businesses.

The primary objective of this study is to develop a management framework for sustainable retail SMMEs in the Limpopo province, South Africa using business models. The secondary objectives aid in achieving the primary objective. Secondary literature in chapter 2 provides a background on retail and business model concepts to support the empirical study.

The study follows a qualitative research approach using a multiple case study as a research method. Semi-structured interviews were used as a data collection tool from 12 participants. These 12 participants are rural retailers in the two local municipalities in the Limpopo Province.

Creswell's data analysis spiral was used to analyse data. Fourteen themes were identified, seven themes related to entrepreneurship ecosystem, and seven were business model canvas.

The study concluded with a summary of research and recommendation for rural retailers to improve businesses competitiveness and sustainability. A management framework for sustainable rural retail was also developed in this chapter. The chapter also provided recommendations for future research to improve the current study further.

Keywords: Retail SMMEs, business models, entrepreneurship, rural retailers

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

According to the National Development Plan, small and expanding firms, currently known as Small, Medium, and Micro-enterprises (SMMEs), will be primarily responsible for creating new jobs and changing apartheid legacy patterns of business ownership (National Planning Commission, 2012:40).

The original objectives of developing small and micro businesses in developing countries were to encourage small businesses that could sustain themselves without perpetual subsidy, contribute to income growth, and improve living standards (Kubone, 2019:19). SMMEs contribute to any country's economy, such as increasing employment, reducing poverty and crime (Ayandibu & Houghton, 2017:137). SMMEs in South Africa are imposed with the responsibility of assisting the national governance with socioeconomic objectives of boosting the national economy by decreasing national unemployment and alleviating poverty levels (Bruwer & Coetzee, 2016:201)

According to Chiromo and Nani (2019:17), the mining, wholesale and retail industry contributes mainly to poverty reduction as compared to other sectors. Garidzirai, Meyer, and Muzindutsi (2019:29) further state that wholesale trade, construction, and electricity contributed more than agriculture and manufacturing in the Capricorn district of the Limpopo Province and community service. Earlier, Pfunzo (2017:85) found that agriculture contributes less than other non-agricultural sectors in the Limpopo province.

According to the Limpopo Economic Development Environment and Tourism (2019:23), micro-enterprises, commonly known as 'Spaza Shops', contribute R 7 billion to the South African economy. Spaza shops are primarily concentrated in rural villages and townships. These Spaza shops usually do not offer products at a lower price than big retailers do. However, they provide convenience, as they are close to

most customers who stay far from big retailers (Bhorat, Asmal, Lilenstein & Van Der Zee, 2018:75).

A business model is a process that describes how an organisation can create, deliver, and capture customer value (Osterwalder & Pigneur, 2010:14). Business model innovation (BMI) involves designed, novel, and nontrivial changes to the key elements of an organisation's business model or/and the architecture linking those elements" (Foss & Saebi, 2017:216).

When organisations are in business environments characterised by high turbulence, business model innovation can help them achieve strategic agility and operational efficiency. This will help to recognise future threats, mitigate the dangers, and identify opportunities to capitalise on those threats (Cheah, Ho & Li, 2018:10). Olofsson, Hoveskog and Halila (2018:78) further add that BMI can ensure sustainable organisation by considering customer needs and industry issues.

Most drivers of business model innovation are technology and socio-cultural factors (Sundström & Grindestam, 2018:74). Therefore, managers should monitor technological changes to respond quickly to external changes in their business environment and have a head start in competitive resources such as human and intellectual capital (Sundström & Grindestam, 2018:75).

This study aims to develop a management framework for rural retailers in Limpopo Province. This study utilises a qualitative research methodology by using semi-structured interviews. Critical subjects discussed in this chapter are definitions of key terms, a problem statement, research objectives, the scope of the study, research methodology, and the demarcation and layout of the study.

1.2 DEFINITION OF KEY TERMS

1.2.1 Business model

Zott, Amit and Massa (2011:1083) define BM as a new unit of analysis that offers a systemic perspective on how to do business, focusing on value creation and value capture through its boundary-spanning activities. A business model is “an attribute of a real organisation, a cognitive/linguistic schema, or a formal, conceptual representation of an organisation’s activities” (Massa, Tucci & Afuah, 2017:97). Andreini and Bettinelli (2017:31) further state it helps companies in decision making, such as deciding what to do with new technologies or new ventures. It also helps find solutions to business problems through its structure and framework (Hague, 2019:1).

1.2.2 Business model innovation

Business model innovation is defined as designed, novel, and non-trivial changes to the critical elements of an organisation’s BM and the architecture linking these essential elements (Foss & Saebi, 2017:216). To respond to a business environment that is constantly changing due to current turbulent economic conditions, organisations have to innovate to improve existing products or create entirely new products or technologies (Otolá & Grabowska, 2020:5). Therefore, business model innovation is a framework for creating and capturing value by pivoting or doing things differently (Afuah, 2014:3).

1.2.3 Business Model Canvas

According to Osterwalder, Pigneur, Bernarda, and Smith (2014:18), a business model canvas is a tool that describes how organisations create, deliver, and captures value. Osterwalder and Pigneur (2010:13) stated that it is a shared language used to describe, visualise, assess, and change business models.

The business model canvas uses nine building blocks covering four main business areas: customers, offer, infrastructure, and financial viability (Osterwalder & Pigneur,

2010:15). These nine building blocks of the business model canvas are customer segments, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure (Osterwalder & Pigneur, 2010:16).

This business model canvas gives organisations an overview of how they should operate, outline their strategies, and helps in communication about organisational revenue maximisation and other things such as customer relations (Frick & Ali, 2013:147). Coes (2014:86) concurs that the strength of the business model canvas is that it simplifies communication between managers, business model designers, customers, and partners. A business model canvas is also a means for the realisation of novel sustainability strategies as it encourages visualisation and creativity and assures those essential business-model aspects are not forgotten or ignored (França, Broman, Robert, Basile & Trygg, 2017:165)

1.2.4 Small, Medium, and Micro Enterprises

A small business enterprise is a separate and distinct business entity with its branches or subsidiaries. It may include co-operative enterprises, if there are any, and non-governmental organisations. National Small Business Amendment Act stipulates that business can be managed by one owner or more, including their branches and subsidiaries participating in any sector or sub-sector of the economy.

According to de Wet (2019), a business enterprise is classified as a micro (maximum 10 employees), small (between 10 and 50 employees), or medium enterprise (between 50 and 250 employees). Table 1 below classifies various boundaries in SMMEs using revenue turnover.

Table 1:1 Classification of SMMEs in turnover

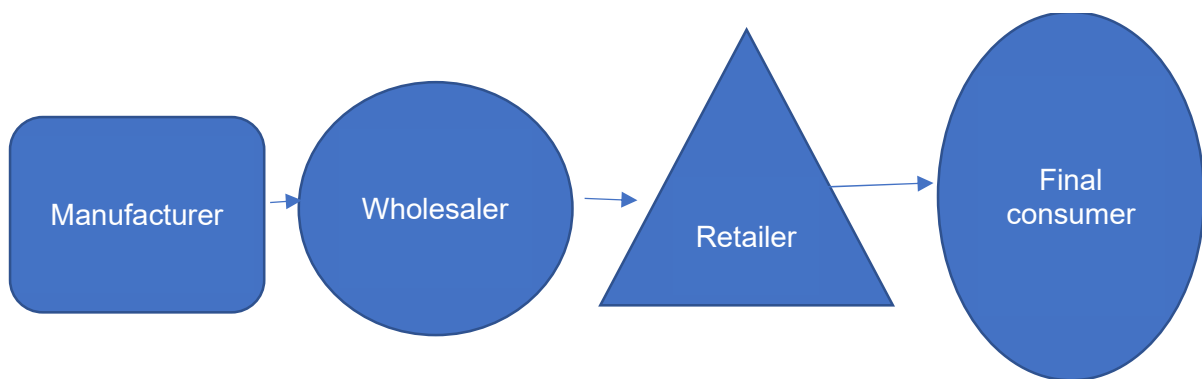
SECTOR	SIZE	MAXIMUM TURNOVER
AGRICULTURE	Medium	R35 million
	Small	R17 million
	Micro	R7 million
Mining and quarrying	Medium	R210 million
	Small	R50 million
	Micro	R15 million
Manufacturing	Medium	R170 million
	Small	R50 million
	Micro	R10 million
Electricity, gas, water	Medium	R180 million
	Small	R60 million
	Micro	R10 million
Construction	Medium	R170 million
	Small	R75 million
	Micro	R10 million
Retail, motor trade, repair	Medium	R80 million
	Small	R25 million
	Micro	R7.5 million
Wholesale	Medium	R220 million
	Small	R80 million
	Micro	R20 million
Catering, accommodation, other	Medium	R40 million
	Small	R15 million
	Micro	R5 million
Transport, storage, communication	Medium	R140 million
	Small	R45 million
	Micro	R7.5 million
Finance and business	Medium	R85 million
	Small	R35 million
	Micro	R7.5 million
Community, social, personal service	Medium	R70 million
	Small	R22 million
	Micro	R5 million

Source: de Wet (2019)

Retail Management

Retailing is when a product is conceptualised, designed, produced, and delivered to end-users or customers (Gibson, 2017:3). Retailing is the last stage of a product value chain. Products are distributed from a wholesaler to the end-user, sometimes acting as a contact between manufacturers, wholesalers, and the end-user. Below in figure 1.1 is the product value chain.

Figure 1:1 Product value chain



Source: Barry, Joel and Patrali (2018:23)

Managing a retail business comprises three steps: organisation structure, human resources management, and financial and non-financial operations (Barry *et al.*, 2018:293). The organisational structure entails structuring a business whereby tasks (functions), policies, resources, authority, responsibilities, and rewards satisfy customer segments' needs and employees and are managed effectively and efficiently.

The function of human resource management in retail is to align business strategies, short and long-term goals with employees' capabilities and behaviours (Levy, Weitz & Grewal, 2014:236). This alignment will occur through recruiting, selecting, training, compensating, and supervising talent (Barry *et al.*, 2018:301).

Operations management entails the efficient and effective implementation and evaluation of policies and tasks that will satisfy the business's customer segments, employees, and shareholders/management (Barry *et al.*, 2018:316). These will be profit structures, asset management, budgeting, and resource allocations for the

financial aspect of operations management. The financial part will also include financial performance, turnover, and profit evaluation (Zentes, Morschett & Schramm-Klein, 2016:441).

The other aspect of operation management entails efficiency, production, and inventory/supply chain (Zentes *et al.*, 2016:441). It will also include “store format, size, and space allocation; personnel utilisation; store maintenance, energy management, renovations; inventory management; store security; insurance; credit management; computerisation; outsourcing; and crisis management” (Barry *et al.*, 2018:333).

1.3 PROBLEM STATEMENT

Organisations operating in a turbulent environment constantly innovate to cope with those environments and sustain themselves (Turulja & Bajgoric, 2019:228). Sometimes SMMEs turn to aggressive marketing techniques to survive and thrive (Becherer & Helms, 2016:138). -It usually occurs that organisations with the ability to change, adapt, and cope with drastic adjustments often fail to manage in turbulent environments, with 25% experiencing success (Arnaout & Esposito, 2018:501). When organisations are not prepared, they turn to short-term turnaround strategies, which are not sustainable for their organisation and fail (Malinowska, Cyplik, Piontek, 2017:85).

According to Bushe (2019:23), failures of SMMEs are due to factors or combinations thereof, such as entrepreneur incapacity, entrepreneurial aptitudes, entrepreneurial behaviour, environmental inauspiciousness, and enterprise incompetence. Stern (2018:36) stated earlier that challenges such as weak entrepreneurial culture, access to finance, access to markets, adequate business support services, regulatory and administrative constraints, and structural inequalities also add to SMMEs failures in South Africa.

External factors that are mostly uncontrollable to SMMEs' failure are the non-availability of a logistics chain, high cost of distribution, competition, rising costs of doing business, the lack of finance and crime (Fatoki, 2014:926). These external

factors lead to many SMMEs being marginalised and operating in an environment not conducive to their success (Bhorat *et al.*, 2018:47).

Motjoloane (2017:241) stated that managers need to clearly understand external and internal factors as drivers of business model innovation. They can render a business model irrelevant or obsolete. For SMMEs to achieve superior performance, they need to reinvent their business models, which will help them capture recognised market opportunities (Guo, Tang, Su, & Katz, 2017:439).

Anwar (2018:21) argues that the role of business model innovation in SMME's performance is still elusive as there is a lack of empirical evidence. He, however, acknowledged that it could assist SMMEs in reducing costs, increasing reputation, and introducing a unique delivery process that ensures that value is created for the SMME. Clauss, Bouncken, Laudien and Kraus (2020:24) argue that most SMMEs can innovate using business models. However, these SMMEs are mostly incapacitated to execute it as they lack sufficient resources and management capacity to control and run the innovation process if they have no partners.

Technological advancements, volatile global economic and political uncertainties, and cultural shifts encourage changing customer expectations and create turbulence in the retail industry (Cheah *et al.*, 2018:11). Still, organisations that achieve strategic agility and operational efficiency through business model innovation can maintain a competitive advantage because business model innovation mediates the positive relationship between industry turbulence and sustainable competitive advantage (Cheah *et al.*, 2018:10).

For the reasons mentioned above, a study will explore the development of a management framework using business models for retail businesses in the Limpopo Province that will provide the SMMEs with a competitive advantage and growth and sustainability when they operate in turbulent business environments.

1.4 RESEARCH OBJECTIVES

The study will consist of primary and secondary objectives.

1.4.1 Primary objective

The primary objective of this study is to develop a Management Framework for sustainable retail SMMEs in the Limpopo Province using business models.

1.4.2 Secondary objectives

- To conduct a literature study on BM, BMI, retail management, and BMI frameworks.
- Using a qualitative research methodology, semi-structured interviews on retail SMMEs using business models in the Limpopo Province to make empirical investigations in the rural retail landscape.
- To summarise results on the rural landscape and make recommendations on improving the rural retail business model.
- To have recommendations for future research.

1.5 SCOPE OF STUDY

The scope of the study will outline and identify the field of study, the sector to be investigated, and the geographical demarcation of the study.

1.5.1 Field of study

The field of the study is entrepreneurship and innovation, with a specific focus on Business Model Canvas, retail management, and Business Model Innovation.

1.5.2 The sector to be studied

The sector to be studied is small, medium, and micro-enterprises.

1.5.3 Geographical demarcation

The study was conducted in two local municipalities in the Greater Sekhukhune and Capricorn districts. These local municipalities are Fetakgomo-Greater Tubatse and Lepelle-Nkumpi local municipalities, as shown in figure 1.2 below. Lepelle-Nkumpi is a local municipality 55 km from Polokwane City in the Capricorn District in the Limpopo Province. It consists of 29 wards, with four wards in Lebowakgomo, their business hub and economic contributor, and where the provincial Legislature takes place (Lepelle-Nkumpi Local Municipality, 2019:1).

Fetakgomo-Greater Tubatse Local Municipality is a Category B municipality located in the Sekhukhune District in the Limpopo Province (Municipalities of South Africa, 2019). Fetakgomo-Greater Tubatse Municipality accounts for 42% of the Sekhukhune District, with an area of 5 693 km². The economic contribution of the Fetakgomo-Greater Tubatse Municipality is the Platinum and Chrome mineral resources in the Mining sector (Limpopo Economic Development Environment & Tourism, 2019:29), and tourism, manufacturing, catering and accommodation (Municipalities of South Africa, 2019).

Figure 1:2 The map of the Limpopo Province local municipalities



Source: (<https://municipalities.co.za/provinces/view/5/limpopo>)

1.6 RESEARCH METHODOLOGY

According to Creswell and Creswell (2017:40), research methods are plans and procedures for research that span from assumptions to more detailed data collection, analysis, and interpretation methods.

This research will consist of secondary literature from reviewing the primary literature obtained from an empirical study through a qualitative research method using semi-structured interviews.

1.6.1 Literature review

A literature review is a systematic examination of secondary literature about the topic of the study that critically analyses, evaluates, and synthesises research findings, theories, and practices by scholars, researchers and policymakers regarding the issue related to the area of focus (Efron & Ravid, 2018:2).

A wide range of sources was consulted to ensure that the literature review reflects a broader spectrum of knowledge and insights. Keywords to be used in the sources include business models, business model innovation, and business model frameworks, retail SMMEs, entrepreneurship, and rural retailers.

The sources consulted in the literature review are journal articles from Google Scholar, EBSCO Publishing, ProQuest, African Journals Online, Wiley, Taylor and Francis Online, National Electronic Theses and Dissertations, Boloka Repository, Sabinet, Government agencies and Portfolios, and newspaper articles.

1.6.2 Empirical study

According to Aspers and Corte (2019:155), qualitative research is an iterative process whereby a new significant distinction is achieved in a scientific community by studying a phenomenon closer. There is very little literature on business model innovation in rural retail environments; therefore, the research used qualitative research to investigate this business environment.

Qualitative research is characterised by its natural setting, where subjects are observed or interviewed in their natural setting; the researcher is a crucial instrument in the study (Leedy & Ormrod, 2016:255). Qualitative research gathers multiple forms of data, such as interviews, observations, and documents, making it rich, and its reasoning is complex as it is deductive and inductive. It looks into the participants' multiple perspectives and meanings. It is context-dependent, emergent in design, the researcher positions themselves in it, and has a holistic account.

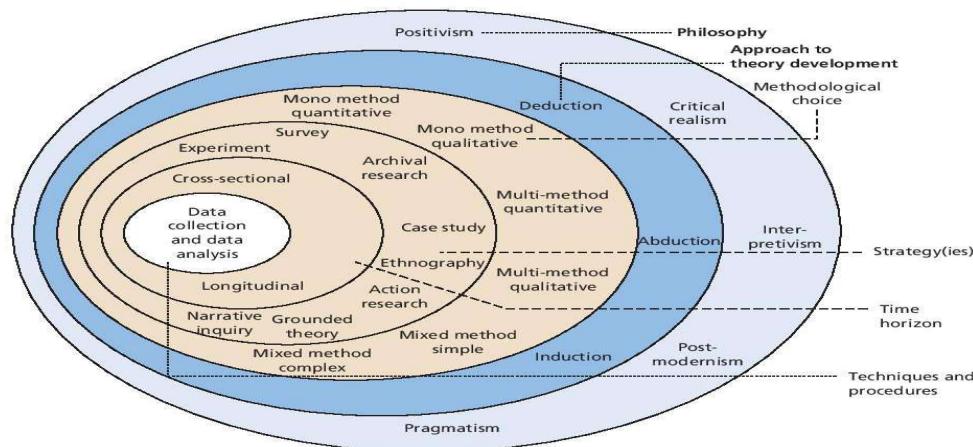
This study followed a qualitative research approach using semi-structured interviews as a data-gathering instrument. According to Sekaran and Bougie (2016:116), semi-structured interviews are used to explore and probe into various factors of a situation that might be central to a problem being investigated. This research instrument uncovers a deep-rooted problem resulting from symptoms that research participants might identify as a problem.

Interview questions were created from an entrepreneurial ecosystem framework for investigating the macro-environment of the retail SMME industry. The second part of the interview questions was made from a business model canvas framework to examine the micro-environment of SMME retailers. The data gathered was analysed using the Microsoft Word application.

1.6.3 Research paradigm

The research paradigm that the study will follow is interpretivism, as depicted in figure 1.3 below (Saunders, Lewis, & Thornhill, 2016:134). The primary focus of the interpretive paradigm is to help the researcher attempt to make sense of the world that surrounds them, which would be an understanding of the meaning of the organisational life of retail SMMEs in the Limpopo province.

Figure 1:3 Research onion



Source: Saunders *et al.* (2016:124)

1.6.4 Research approach

The research approach used for the study is inductive. This approach seeks to understand or get a feel of the business environment and reality of retail SMMEs so that a theory can be formulated or a framework is established detailing how business

models can be used to develop management frameworks for sustainable retail SMMEs (Saunders *et al.*, 2016:147).

1.6.5 Research design

-“Qualitative research studies participants’ meanings and the relationships between them, using various data collection techniques and analytical procedures, to develop a conceptual framework and theoretical contribution” (Saunders *et al.*, 2016:168). According to Bhatta (2018:78), if an issue being studied is complex, an in-depth study becomes essential and is conducted using a qualitative research approach. He further argues that a case study approach is one research methodology that can study a complex issue in-depth.

Case study research is one of the qualitative research methods where the researcher explores real-life, a current bounded system called a case or multiple cases (Creswell & Poth, 2017). This research design is undertaken through a detailed, in-depth investigation of a contemporary phenomenon and relies on various sources such as audio, video, and notes (Schoch, 2020:256).

Case study methodology can be used for theory development of organisations, e.g. organisational structures and functions, excellence in corporate performance, and administrative decision-making (Yin, 2017:36). However, before the researchers develop this theory, they must prepare for it by conducting a thorough literature review. Yin (2018:45) further states that researchers use a case study because of a need to understand the real-world case, and that case is likely to involve Important contextual conditions involved in the research.

The research design will be qualitative, using a multiple case study as a research method. There is little to no research about business model innovation in rural SMME retailers. For this reason, a case study is chosen as a suitable research method as the current SMME retail environment is very turbulent for native rural and township retailers.

The issue investigated is sustainability for rural retailers in Limpopo Province using business models. A management framework for rural retail SMMEs was developed from empirical results from the case study methodology.

1.6.6 Research instrument

This study used semi-structured interviews as a research instrument. Semi-structured interviews are mainly used to explore and probe various factors in a situation that might be central to the phenomenon being investigated (Sekaran & Bougie, 2016:116). This instrument has a two-way interaction between the participant and the researcher (Yin, 2016:142). Semi-structured interviews are used because people are naturally conversational, and therefore, this method draws something that people are accustomed to participating in (Leavy, 2017:139).

1.6.7 Study population and sampling technique

The research population of the study is retail SMMEs in the Fetakgomo-Greater Tubatse and Lepelle Nkumpi local municipalities. A non-probability, volunteer, snowballing sampling technique will be used (Saunders *et al.*, 2016:303). This sampling will be used as the retail SMME owners in these municipalities have business challenges that they would like solutions to, and they would very much be eager to refer to the next retailer.

1.6.8 Data collection methods

Data was collected in the form of semi-structured interviews. More flexible questions were used to interview the participant to learn how their current business model concerns four pillars of business model frameworks: economic, infrastructure, value creation, and customers (Merriam & Tisdell, 2016:111).

Questions were sent to participants in advance so that they may prepare for the interview. The researcher responded to any situation concerning participants' worldviews in the interviewing process. New ideas could be used to develop a

management framework for these SMME retailers using business models. These questions were formulated to stimulate responses that depict the experiences, behaviour, opinions, and values of these SMME owners (Merriam & Tisdell, 2016:118).

Questions were asked to ensure that participants freely expressed themselves in their chosen language, mostly Pedi as it is the most spoken language in the area. An interview guide was used for all interviews to ensure consistency in all questions asked across all participants (Merriam & Tisdell, 2016:125).

A consent letter detailing the participants' rights and the purpose of the interview was sent to the participants in advance. This letter ensured that participants knew they had every right to pull out of the interview, that their anonymity was guaranteed, and why they were being interviewed.

A cellular phone was used to call and record in audio format the participants to avoid the spread of covid-19 as the country was in lockdown. This mobile phone will belong to the researcher and will be password encrypted so that it was not tampered with. The recorded audio was stored in a safe application that requires a password on the mobile phone. It was also stored in the phone cloud account, the researcher's laptop, and an external hard drive.

Memos were recorded after every interview to help the research later on with the data coding processes.

1.6.9 Data analysis

Qualitative data may be analysed using Creswell's data analysis spiral, which consists of organising data, perusing the entire data, identifying general categories or themes, and integrating and summarising the data for audiences (Leedy & Ormrod, 2016:297).

Data for the case study can be analysed using the systemic design pattern of open, axial, and selective coding to formulate a theoretical framework (Goulding, 2002:47). The open coding stage takes sampled data and labels it using codes. Codes, Ids, and

key points explaining the codes will represent the data in open coding. The data was turned into concepts using the axial coding process. These processes were grouped into categories, and the categories were inter-linked, presented, and analysed using selective coding.

Data in the research will be analysed using the Microsoft Word application. The researcher will also use this programme to consolidate and organise the codes to make sense of and develop themes.

1.6.10 Trustworthiness

The data must be tested for trustworthiness (Creswell & Poth, 2017:354). The trustworthiness of research is divided into four sections: credibility, transferability, dependability, and confirmability (Cohen, Manion, & Morrison, 2018:246; Lincoln & Guba, 2013:104).

Credibility refers to the confidence established in the research findings and interpretations. It can be executed through prolonged engagement, persistent observation, triangulation of sources, methods, theories, and researchers, peer debriefing, negative case analysis, referential adequacy, and member checks (Creswell & Poth, 2017:390).

The researcher took some preliminary findings to participants to ensure the study was credible to ask if the interpretations were accurate (Saunders *et al.*, 2016:206). In other words, when the data was analysed, it was sent to participants to see if it matches their realities and whether the proposed hypotheses and propositions apply to their businesses

Transferability is the conventional inquiry, external validity, or generalisation that ensures that findings can be applied in every context or subject. The researcher will present the analysed data to his peers to judge if the results can apply to the business environment they are familiar with. The researcher also used quotes from participants' interviews, field notes, and documents to show the level of detail, making the results believable (Merriam & Tisdell, 2016:257).

Dependability is when findings and interpretations are assessed as to whether they result from a consistent and dependable process (Saunders *et al.*, 2016:206). This was done through an audit by employing an external auditor to review the results, findings, and conclusions.

Confirmability refers to a clear link between data and findings (Stenfors, Kajamaa & Bennett, 2020: 598). That is to say that secondary literature was used to back up the primary data obtained from the research.

1.6.11 Ethical consideration

Ethical approval

This research was submitted to the NWU Ethics Committee to receive ethical approval.

Informed consent

Participants will all sign an informed consent before participating in the research, as it is required for ethical and legal purposes.

Confidentiality

Participants will be informed that their participation will be confidential and used for the research.

Expertise, skills, and legal competencies

The researcher will consult experts where necessary, such as data capturing and interviewing, as there might be a need to communicate in participants' language of choice and data analysis from the NWU School of Statistics.

Data management

All data collected will be given to the NWU School of Business to keep for a period required by the University.

1.7 DEMARCATION/ LAYOUT OF STUDY

Chapter 1: Introduction

This chapter will provide the background of the study, definition of key terms, the problem statement and research objectives, methodology, sampling, data collection and analysis, trustworthiness, ethical consideration, and layout of the study.

Chapter 2: Literature Review

This chapter will give a brief overview of business models and then provide a broad overview of Business Model Innovation, retail management, and Business Model Innovation Frameworks.

Chapter 3: Results and discussion of the empirical study

This chapter will detail all the study results and their discussions.

Chapter 4: Conclusion and recommendations were discussions

This chapter will analyse the results, the study's conclusion, and recommendations for management and future researchers.

1.8 CONCLUSION

This chapter begins with an introduction to the topic studied: small, medium, and micro-enterprises. It proceeds by presenting the problem statement for the research and rationale for researching with support from secondary literature.

A brief overview of the study's literature review and the research methods used follows. The study used a qualitative research methodology, and the chapter then detailed how the data was analysed.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

A business model “describes the rationale of how an organisation creates, delivers, and captures value” (Cosenz & Noto, 2018:138; Osterwalder & Pigneur, 2010:14). Fiel (2014:99) describes a business model as a process that describes the value logic of organisations as to how they create and capture value through focussing on customers, value proposition, organisation architecture, and economic dimensions. BMs are a constituent part of the market and what the organisation is and does (Mason & Spring, 2011:1039). Morris, Schindehutte and Allen (2005: 735) further add that the business model focuses on entrepreneurs and employees, especially if principles, rules, and policies accompany it.

When consumer perceived benefits increases from the consumption of organisational products, value is created by that organisation’s business model (Rietveld, 2018:186). BMs can also enhance an organisational ability to capture value if elements of that BM encourage more sales from consumption and more revenue generation from paying customers even if the product itself remains constant.

BMs are tools to ensure that a resource base is exploited for profits, treating a natural world as a given mechanistic, or ensuring that business expenses are minimised, such as human capital (Biloslavo, Bagnoli, & Edgar, 2018: 761). For these reasons, start-up investors and competition committees use BMs to evaluate if a project or a business idea is worth investing in or not (Cosenz & Noto, 2018:138).

According to Hajiheydari, Talafidaryani, Khabiri, and Salehi (2019:19), BM research can be classified into three clusters: electronic business model, business innovation model, and sustainable business model. Business Model Innovation (BMI) consists of innovation, strategy, and entrepreneurship.

BMI provides organisations with a new source of sustained value, resulting in a competitive advantage for those organisations (Foss & Saebi, 2017:222). Business model innovation is defined as designed, novel, and non-trivial changes to the critical elements of an organisation's BM and/or the architecture linking these essential elements (Foss & Saebi, 2017:216).

BMI can be focused or complex BMI (Foss & Saebi, 2017:217). Focused BMI is an instance where an organisation innovates within one area of a BM, such as targeting a new segment or entering blue oceans. A new market is created in this instance, while value capture, value proposition, and value delivery do not change. A complex BMI process occurs when all BMI factors change, such as moving from a physical retail building to online retailing.

For organisations to create a BMI, they need to use ideation (Amanullah, Aziz, Hadi, & Ibrahim, 2015:470). This process involves coming up with many ideas and then choosing the best to implement for BMI. One of the tools used to create such ideation is the Business Model Canvas (BMC) (Osterwalder & Pigneur, 2010:136). BMC is a tool for describing, designing, and analysing business models (Osterwalder & Pigneur, 2010:xiv).

Fauvel (2013:34) argues that entrepreneurs and businesspersons who can then try different variations that fit their businesses when they are experienced enough should use BMC. BMC helps organisations outline their strategies with simple, clear communication about revenue maximisation and other valuable things like customer relations (Frick & Ali, 2013:147).

2.2 BUSINESS MODEL INNOVATION

Organisations use BMI to assess opportunities in the business environment, identify promising projects in those environments, prepare to scale up on the good opportunities after piloting them by building necessary platforms or infrastructure, and recruit human capital to execute the projects for success (Lindgardt, Reeves, Stalk & Deimler, 2009: 5). Bouwman, Nikou and de Reuver (2019:13) further state that BMI is a vehicle for organisational transformation, the key to firm performance, and

represents a component of innovation commercialisation managed separately but following the value innovation process.

BMI can mean organisations change the architecture or change one or more components of a business model to be innovative (Foss & Saebi, 2017:216). Inigo, Albareda and Ritala (2017:536) classify BMIs as either radical or evolutionary. Evolutionary changes involve incremental changes and changes in some aspects of a BM. Organisations can deploy a broader range of BMs than previously without dismantling the current BM (Li, 2018:9).

Radical BMIs involve transforming a BM by introducing a new value proposition, value capture, and value creation in an organisation (Inigo *et al.*, 2017:528). Such radical BMIs remove organisations from unsustainable lock-in situations in the business environment to be a leader in competitive advantage, exploiting blue oceans or new markets.

BMI can be viewed from a strategic management level. BM is altered due to external and internal factors of an organisation and the skill factor of the manager implementing such alterations. BMI can also be viewed from an individual level, related resources and activities that individuals use to capture value to pursue their interests and motivation (Daspit, 2017:787). These strategic business models can be challenging as they should reflect the scale and complexity of a business model for sustainable purposes. The development of new business models should be experimented with until a sustainable BM is identified (Evans, Vladimirova, Holgado, Van Fossen, Yang, Silva & Barlow, 2017:605).

A key element of a buoyant firm's performance when adopting a BMI is that the key management personnel must have more outstanding managerial capabilities or distinctive capabilities regardless of the BM adopted. It does not matter if the organisation is a new venture or an established firm (Pucci, Nosi & Zanni, 2017:232).

2.3 IMPORTANCE OF BUSINESS MODEL INNOVATION

The primary purpose of BMI is to help organisations offer new products, services, or processes to new markets by exploiting the BM's dynamic capability by reinventing BMs, adapting to changing business environments and internal organisational structures (Clauss *et al.*, 2020:24; Guo *et al.*, 2017:439).

Before introducing new products to the market, they use BMI and ideation to create those products and test them on a small scale by limiting them to a small market or a single segment before introducing them on a large-scale rollout (Clauss *et al.*, 2020:25). BMI, especially new BM, will influence customer perceptions of the unique experience, either negative or positive, whether the product or service will fail the organisation (Keiningham, Aksoy, Bruce, Cadet, Clennell, Hodgkinson & Kearney, 2019:437).

BMI can also help organisations start their ventures compared to expensive strategic mergers that result in high failure rates and introduce high sinking transaction costs (Geissdoerfer, Vladimirova & Evans, 2018:410). It can also help organisations engaged in more significant projects to align all the elements of the BMI for exploitation and competitive advantage. Organisations in the same industry with different positions in the value chain may experience different value migration; therefore, BMI will help those organisations with the urgency needed for change (Hacklin, Björkdahl & Wallin, 2018:97). Such value migration might be brought about by technology, so managers need to look into organisation BMs and see if it needs altering to exploit that value migration.

BMI can also dictate organisational activity focus depending on their intention. According to Pucihar, Ravesteijn, Seitz and Bons (2018:558), organisations that focus on profitability put their BMI efforts on streamlining their activity and paying attention to costs. In contrast, growth-oriented organisations concentrate on customer needs, especially customer segments and relations. Organisations that aspire to a higher performance focus their BMI on exploiting the learning, marketing, and relational capabilities of that organisation and therefore emphasise the majority of their investments in those elements of a business model (Pucci *et al.*, 2017:233)

BMI organisations can yield societal implications by helping organisations solve the sustainability challenges of their business environment (Geissdoerfer *et al.*, 2018:410). Sustainable BMI may lead to adoption by many organisations. It will aid them in deploying efficient and effective sustainable solutions and technologies to generate more customer benefit, shareholder value, and economic growth. Managers who strive for novelty may adopt sustainable BMI that was never in existence before or underdeveloped, which will help them create a unique selling proposition out of that sustainability (Hahn, Spieth & Ince, 2018:449). However, most organisations in novelty business outsource sustainability, such as input factors with sustainability traits from third parties.

2.4 BUSINESS MODEL INNOVATION IN RETAIL

Retailers often find it challenging to innovate. They mainly focus on continuous improvement and opening other shop branches rather than in-house research and design or long-term business scenarios (Paredes, Roese, Ritzén, Olsson, & Johansson, 2018:11). The different challenges might be customer understanding or need-finding to ensure that they capture value.

Business model innovation in retail does not have to be radical. It could be as evolutionary as Wal-Mart's strategy to save money from storage costs by cross-docking inventory in their logistical processes (Amit & Zott, 2012:41). According to Cao, Navare and Jin (2018:558), retailers can legitimise their brand image in their business environment. They can also share resources through co-operatives with their peers, have alliances with local stakeholders, have a head office that can be used to transfer knowledge, and imitate leaders in the retail market. This process is called resource deployment, and it is enacted by extending the existing knowledge base, embedding itself with the local business environment, and autonomic exploration of subsidiaries. Businesses can follow all or one of the patterns to innovate. This process is shown in figure 2.1 below.

Figure 2:1: Theoretical modelling for a typology of retail business model innovation

	Exploitation	Exploration
Home-based resources	Pattern 1: Extension Legitimizing brand Sharing resources within the group Transferring knowledge from headquarter	
Host-based resources	Pattern 2: Embeddedness Alliance with local stakeholders Imitating local competitors	Pattern 3: Autonomy New innovation for the local market

Source: Cao *et al.* (2018:545)

Business model innovation can lead to sustainable competitive advantage by using enablers such as technology to help them change, e.g. retail formats, new sales channels, or move horizontal or vertical within the value chain (Prepletaný, 2013:94). Selling products online helps retailers sell extended products as the space of their shops does not limit them. Physical stores can be reinforced as a competitive advantage through technology by introducing free Wi-Fi, RFID, kiosks, mobile applications, and QR codes (Cao, 2014:89).

Customer value and lock-in may be enhanced by customising personal offers and information for retailers to ensure that the retailer is differentiated from competitors (Yrjölä, 2014:100). This is achieved through loyalty schemes and customer relationship management. Lange and Velamuri (2014:327) found that customer relationship management is crucial to the elderly as they will pay a premium if the store's environment resonates with their needs, novel services are available for them, and there is an appropriate product mix.

Retailers should also consider adopting cross-channel strategies for their organisations. It provides or adds more value to their customers as they can order

online to pick up in-store or be delivered to their doorstep (Cao, 2014:88). Retailers can also use open innovation to allow end-users to interact with suppliers directly (Cao, 2014:89). This is possible by offering suppliers access to information-based cloud technology, a reliable logistical system, an after-sales service network, a distribution centre, and an innovative payment tool.

Organisations need to be proactive by organising their resources by streamlining their staff responsibilities, collaborating with external partners, continuous training and development, and supply chain management processes can offer and develop products that put them ahead of competitors (Cheah *et al.*, 2018:10). These organisations should also monitor external activities such as technological changes, and changes in consumer needs may well compete in a turbulent environment.

2.5 BUSINESS MODEL FRAMEWORKS

Chesbrough (2003:63) defines a business model framework as a tool that links technical decisions in an organisation to economic outcomes. Bengtsson and Hansen (2018:72) add that they should be considered useful tools for creative idea generation. Due to a business model being viewed as generic and abstract, a business model framework and its elements should be seen as a tool that makes it specific and operational (Fielt, 2014:99).

Business model frameworks are useful for simplifying business models because they focus on specific contexts relevant to an organisation at a particular time frame, making them static. Therefore, organisations must constantly change their business models (Khodaei & Ortt, 2019:9). Managers should also consult and compare different business model frameworks to identify situations where some frameworks are suitable for an organisation compared to others (Bengtsson & Hansen, 2018:73).

It is also essential that organisations adopt business model frameworks to the business environment. For example, first-world countries have different legislation and rules regarding trade, such as patenting, than third-world countries with no patents (Khodaei & Ortt, 2019:10). Fielt (2014:99) further adds that business model frameworks should include four dimensions: customer, value proposition, organisational architecture, and economics. The business model frameworks that are

going to be discussed here are the two most popular ones, which are Business Model Canvas and Business Model Navigator (Michalik, Möller, Henke & Otto, 2018:2; Stalder, 2018:57), Fourbox Model (Johnson & Lafley, 2010), and Open Innovation Model (Maucuer & Renaud, 2019:186).

2.5.1 Business model navigator

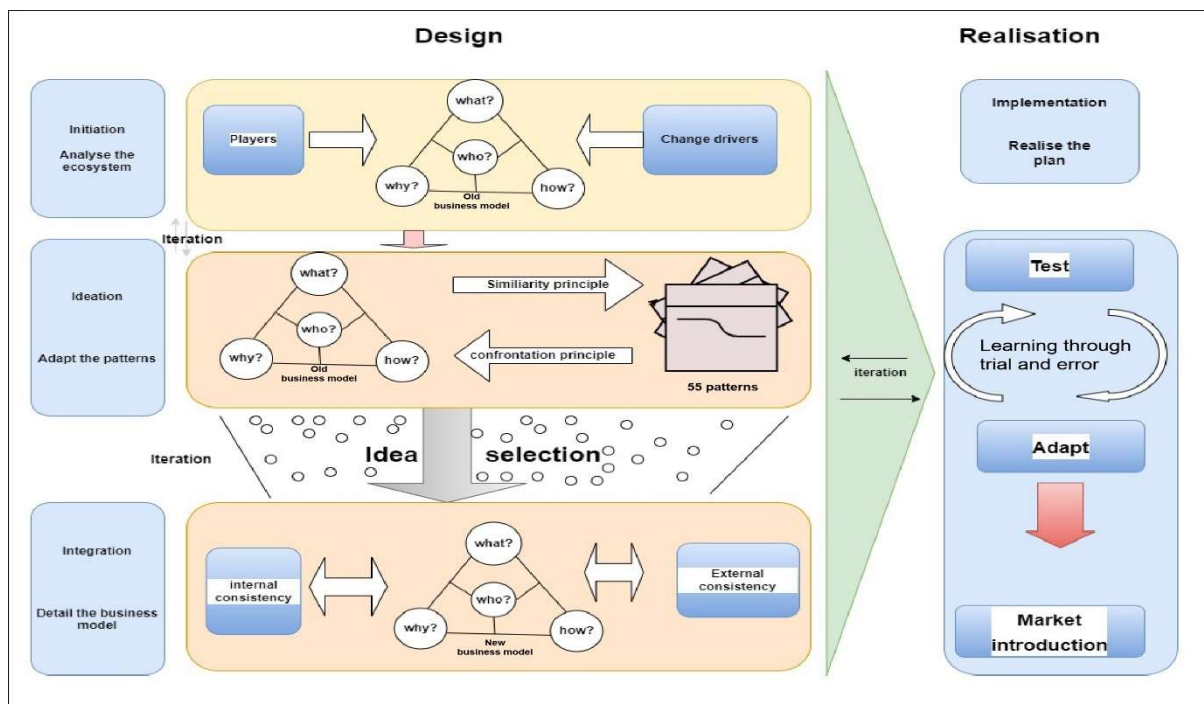
The Business Model Navigator is an action-oriented methodology that helps any form of organisation in any industry to innovate their business models through creative imitation and recombination (Gassmann, Frankenberger & Csik, 2014:29). Figure 2.2 below depicts the Business Model Navigator.

Initiation: Analysing your ecosystem

In the initiation stage, the organisation needs to understand the business environment and its eco-system (Gassmann *et al.*, 2014). The ecosystem will consist of stakeholders (actors) and influencing factors. The actors of the business environment are customers, competitors, and organisational partners. Influential factors include technological factors, megatrends and regulatory changes.

The organisation in the initiation stage needs to analyse their old business model based on four core dimensions: who (customers), what (value proposition), how, and why.

Figure 2.2: The business model navigator



Source: Gassmann *et al.* (2014:29)

Who (customers)

The “who” speaks to customer segments, relationship management, 20/80 principles (where 20% of customers bring in 80% of revenue), important stakeholders’ involvement, distribution channels to serve customers, influencers of these customers, and people behind customers.

What (value proposition)

The “what” speaks to solutions to customer problems, products and services, perceived customer value, value creation, unique offerings from competitors, and meeting customer needs.

Why (profit mechanism)

The “why” speaks to customer willingness to pay for products or services, primary sources of income, income generation, main costs and cost drivers, and the leading financial risks.

How (value chain)

The “how” speaks to key resources, competencies and key activities, position in the value chain from core competency, essential partners, and critical suppliers.

Ideation: adapting patterns

In this stage, 55 different business model patterns are applied to an organisation's business model to generate new ideas, which are then introduced. The first process is applying the similarity principle to your organisation to identify which of the 55 patterns your organisation will fit. The relevant business models identified are then incorporated into the current old business model of the organisation.

The second option for ideation is using the contentious principle. This principle of the current organisational business model is compared to industries unrelated to the organisation, then study the extremes concerning the potential impact they might have on your organisation, then adapt those that will benefit the organisation the most.

Integration: Shaping your business model

In this step, the old business model is adjusted to accommodate new ideas and not develop a new business model altogether. Internal consistency can accomplish this process by fully simplifying the who-what-how-why dimensions and fitting them into the current business model.

The next step should be external consistency. This refers to the fit between a new business model and the organisation's business environment. This will involve examining the external environment through the new business model and seeing its impact on trends, competition, regulations, etc. The new business model will work if there is coherence between internal and external consistency.

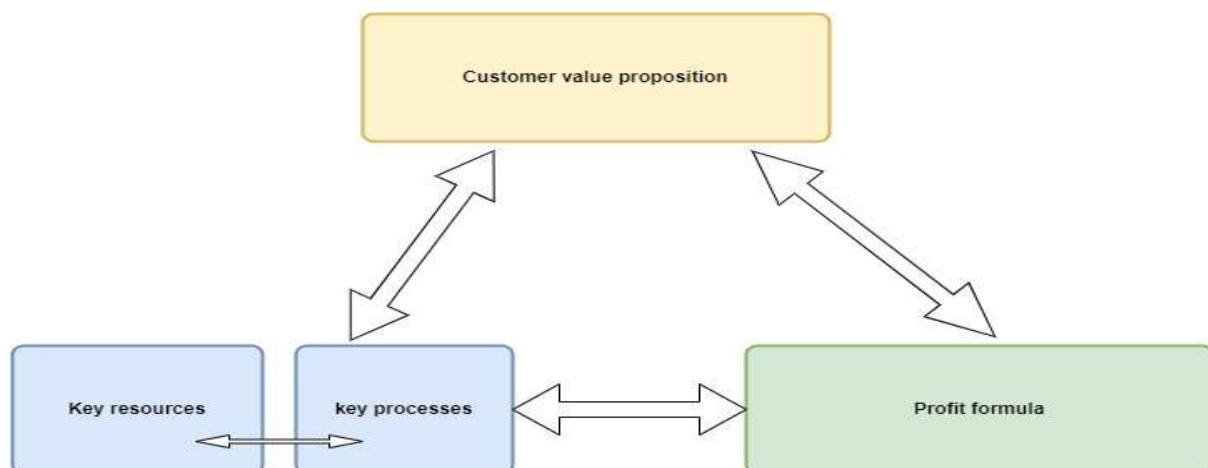
Implementation

This stage involves putting the new business model into action. This will include negotiating contracts with new partners, creating new sales channels, specifying your go-to-market strategy and more (Gassmann *et al.*, 2014:86). Implementing a new business model will require the organisation to use prototypes to test them on a small scale for success than just to try them on a full scale. The implementation will be designed, prototyped, and tested until it works out positively. If it is negative, then it should be abandoned.

2.5.2 Four box business model

The four-box model states that if the business is to be successful, its model should consist of four elements that can be represented by four boxes (Johnson & Lafley, 2010:19). The four elements in those boxes are customer value proposition, profit formula, key resources, and key processes. The four-box business model framework is depicted below in figure 2.3.

Figure 2.3: The four-box business model



Source: (Johnson & Lafley, 2010:18)

Customer value proposition

A customer value proposition (CVP) is an offering that helps customers solve their problems in society. CVP is achieved by identifying a critical, unsatisfied consumer

problem than coming up with a product or service that solves that problem at an affordable price (Johnson & Lafley, 2010:20). This offering ensures efficiency, reliability, convenience, and affordability in solving that problem.

Profit formula

The profit formula is an economic mechanism that will create value for the company and the shareholders (Johnson & Lafley, 2010:25). This includes how to break even given the company resources, achieving net margins and gross, and how fast assets must be turned over to achieve adequate returns. Key enablers of the profit formula are revenue model, cost structure, target unit margin, and resource velocity.

Key resources and key processes

Key resources are people, capital, infrastructure, technology, and the brand of the company that can be used to deliver the value proposition to customers (Johnson & Lafley, 2010:32). Key processes are ways in which organisations provide value in a sustainable, repeatable, scalable, and manageable.

Open innovation model

This business model embraces valuable ideas from inside and outside the organisation. It embraces the idea that those ideas can go to the market from inside or outside the organisation (Chesbrough, 2003:43). For organisations to succeed in achieving open innovation, they have to figure out the missing pieces that can be supplied internally and how they can integrate those internal pieces with external pieces into systems and architectures (Chesbrough, 2003:63).

The open innovation model consists of six functions, which are as follows:

1. The value proposition is articulated as value created for users by the offering-based technology
2. The users who will find the helpful technology identified as a market segment, and the technology's purpose will be fulfilling.

3. To define the organisation's value chain structures where the products will be distributed, complementary assets are needed to support the organisation's position in the value chain.
4. To know the revenue generation mechanism for the organisation and estimate the cost structure and target margins that occur when producing the product or service.
5. To find out where the firm is positioned in the value network linking suppliers and customers, identifying potential complementary organisations and competitors (Chesbrough, 2003:65).
6. Formulating a competitive strategy by which the innovating organisation will have an advantage over competitors.

2.5.3 Business model canvas

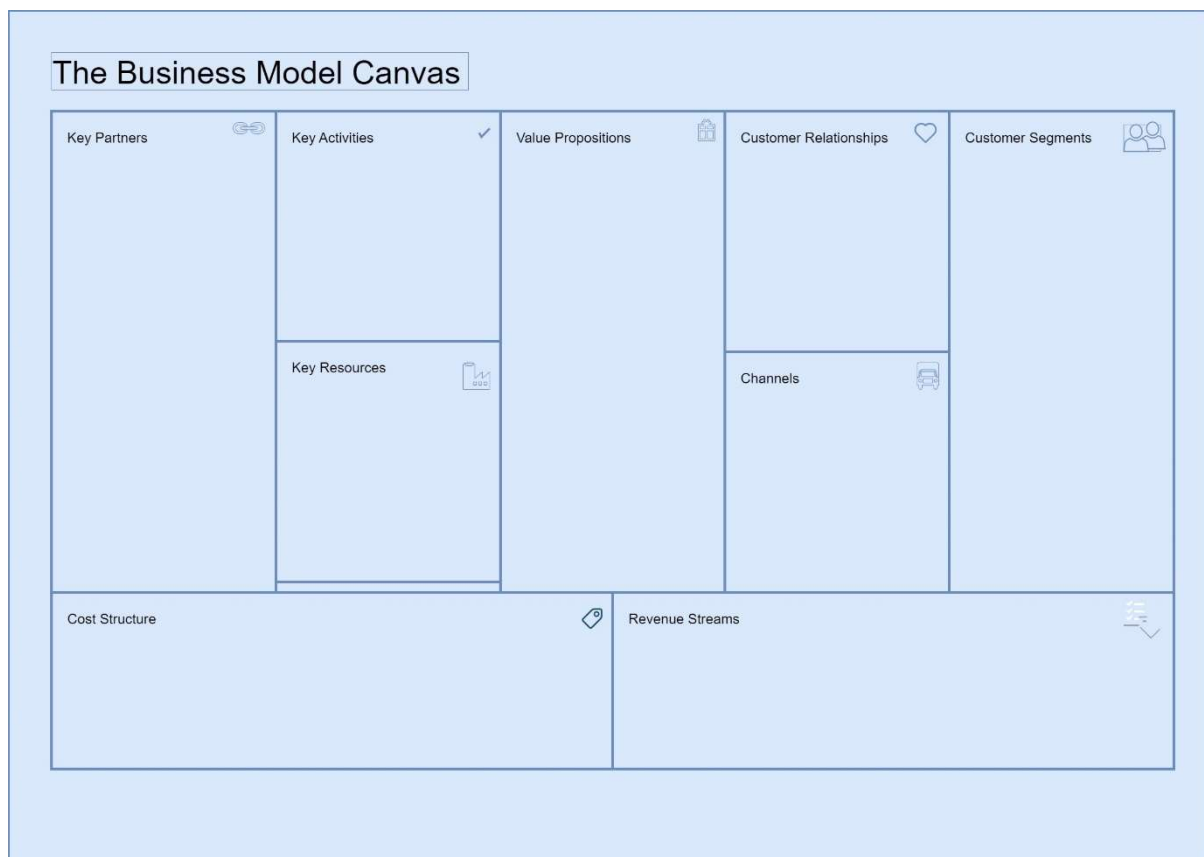
There are many starting points to generate ideas for business model innovation, and two of them are the "what if questions" and the Business Model Canvas (BMC) (Osterwalder & Pigneur, 2010:136). BMC is a tool for describing, designing, and analysing business models (Osterwalder & Pigneur, 2010:xiv). Combining BMC and blue ocean strategies, BMC can provide a strong foundation where value creation, customer, and cost structure can be viewed differently (Osterwalder & Pigneur, 2010:237).

BMC is very popular among start-up businesses because it provides these start-ups with a solid framework that they can work from (Frick & Ali, 2013:148). To create the best business model using BMC, organisations should use ideation, where many ideas for business models are generated, with the best one being isolated (Amanullah, Aziz, Hadi, & Ibrahim, 2015:470). When using the ideation process, all status quo is ignored, competitors are taken out of the picture, and orthodoxies are challenged.

BMC ensures that there are specific details about the business. It is visual, adds creativity, ensures that novel sustainable strategies are realised (França *et al.*, 2017:165), and enables a developing business plan based on customer value (Ojasalo & Ojasalo, 2018:89).

Enablers of BMC are key partners, key activities, value proposition, customer relationships, customer segments, channels, key resources, cost structure, and revenue streams. Figure 2.4 below depicts a Business Model Canvas Framework and its enablers.

Figure 2.4: The Business Model Canvas



Source: Osterwalder and Pigneur (2010:44)

Customer segments

A customer segment is a group of individuals with similar needs, wants, expectations, interests, traits, and characteristics (Camilleri, 2018:70). They comprise the heart of the business, and without customers that bring in profits, the company will not be sustainable (Osterwalder & Pigneur, 2010:1). Businesses can identify profitable customer segments and develop products and services to satisfy those customer needs and wants (Camilleri, 2018:82).

Organisations know that customers have varying needs and know what they want, when, and how they want it (Johansson, 2017:55).

Customers groups represent different segments if:

- Their needs are distinct
- Are reachable through other channels
- Require different types of relationships
- And are willing to pay for various aspects of the offer

Different customer segments are mass, niche, segmented, diversified, and multi-sided markets (Osterwalder & Pigneur, 2010:21).

Value proposition

A Value Proposition creates value for a Customer Segment through a distinct mix of elements catering to that segment's needs (Osterwalder & Pigneur, 2010:23). The value may be qualitative, like experience or quantitative, like its price and speed of service. Some elements that can contribute to customer value are newness, performance, customisation, getting the job done, design, brand or status, price, cost reduction, risk reduction, accessibility, and convenience or usability.

For an organisation to identify customer value propositions, they should understand key dimensions of customer value that motivate targeted customers: economic, functional, emotional, and symbolic value dimensions (Rintamäki, Kuusela & Mitronen, 2007:630).

Organisations can use value proposition in three ways: all benefits, favourable points of difference, and resonating focus (Anderson, Narus & Van Rossum, 2006:2). All benefits simply entail all the positive attributes of the product. A favourable point of difference recognises that a customer has an alternative to the competitor's product. Resonating focus is making elements that matter the most to customers superior, like the camera focus on current mobile phones in the market (Anderson *et al.*, 2006:3).

Channels

Channels help organisations deliver their value proposition communication, distribution, and sales channels to the customer segments (Osterwalder & Pigneur, 2010:26). These channels can raise awareness, evaluate customer propositions, purchase products and services, deliver value propositions, and after-sales or post-purchase customer support.

Channel types used to deliver value propositions are the sales force, web sales, own stores, partner stores, and wholesalers.

Customer Relationships

Customer relationships in organisations describe the types of relationships organisations establishes for their customer segments (Osterwalder & Pigneur, 2010:28)

. These customer relationships are driven by customer acquisition, customer retention, and boosting sales.

There are six categories of customer relationships: personal assistance, self-service, dedicated personal assistance, automated services, communities, and co-creation (Osterwalder & Pigneur, 2010:29). These customer relationship categories may co-exist with each other in organisations.

Revenue Streams

Revenue streams are cash that the company generates from each customer segment (Osterwalder & Pigneur, 2010:30). Different pricing mechanisms of revenue streams are fixed list prices, bargaining, auctioning, market dependent, volume dependent, and/and yield management.

There are also two revenue streams: transactions from one-time purchases and recurring revenues from ongoing payments to deliver value to customers or post-purchase customer support. Several ways of generating revenue streams are asset

sales, usage fees, subscription fees, lending/renting/leasing, brokerage fees, advertising, and licensing (Osterwalder & Pigneur, 2010:30).

Key Resources

Key resources are assets that organisations need to create and offer a value proposition, reach markets, maintain relationships with customer segments, and earn revenues (Osterwalder & Pigneur, 2010:34). Key resources are categorised as physical (manufacturing facilities, buildings, vehicles, etc.), intellectual (proprietary knowledge, patents, and copyrights), skill set of human resources, and financial resources such as cash, lines of credit, or stock option pool (Osterwalder & Pigneur, 2010:35).

Key Activities

Key activities are activities that an organisation has to do to create value and make its business model work (Osterwalder & Pigneur, 2010:36). Key activities of every organisation are production, which involves designing, producing, and delivering a product in substantial quantities of superior quality. It also includes problem-solving, which provides the most complex societal solutions to consumers. Platform/network is dominated by platform or network-related key activities (Osterwalder & Pigneur, 2010:37).

Key Partnerships

This network of suppliers and partners will ensure that an organisation's business model is working (Osterwalder & Pigneur, 2010:38). There are four types of partnerships: strategic alliances between non-competitors, cooperation, joint ventures, and buyer-supplier relationships.

Organisations create partnerships because of the need for optimisation and economy of scale, reduction of risk and uncertainty, and acquisition of resources and activities (Osterwalder & Pigneur, 2010:38).

Cost Structure

This describes all costs that have been incurred by organisations when they were operating (Osterwalder & Pigneur, 2010:40). Cost structures can be cost-driven, which focuses on minimising costs, or value-driven, which focuses on customer growth (Osterwalder & Pigneur, 2010:41). Cost structures are characterised by either being fixed costs or variable costs, or either being economy of scale or economy of scope.

2.6 RETAIL OWNERSHIP

2.6.1 Small independent retail business

Small independent retail businesses are characterised by uncomplicated arrangements that consist primarily of two to three levels of personnel: the owner/manager and employees, where the manager usually runs the business (Barry *et al.*, 2018:297). Small independent retailers carry a more comprehensive range of merchandise since they are less specialised. In most cases, they tend to carry single brands in each product as they have fewer deliveries on inventory (Shaikh & Gandhi, 2016:560).

Small independent retailers make most of their inventory decisions to respond to market required offerings (Eicker & Cilliers, 2018:10). This inventory is purchased mainly from wholesalers, which leaves them at a disadvantage compared to large retailers as they source their stock directly from the manufacturers (Makhitha, 2017b:433). So small independent retailers must forge a long-term relationship and collaborative relationship with these wholesalers to negotiate better prices to better their chances of survival (Makhitha, 2017a:666).

Product prices of independent retailers are high in most cases compared to large retailers (Makhitha, 2017b:434). Still, they tend to have a competitive advantage through differentiation. They provide unique value in terms of packaging, low prices, shopping hours, product leadership and customer intimacy through personal attention and close relationships (Badenhorst-Weiss & Cilliers, 2014:18). Koul and Jasrotia

(2019:1174) concur that independent retailers maintain their relationships with customers by selling products that customers recommend.

Grimmer, Miles, Byrom, and Grimmer (2017:20) argue that small independent retailers need to explore business information systems to better understand their explicit and implicit market needs before developing other retail needs. Eiriz, Barbosa, and Ferreira (2019:1501) found that cost-benefit analysis of the business information systems was perceived as being harmful, with the opinion that these systems were only adopted based on external pressure or imposition. Adoption of technology was therefore seen as leading to costs without benefit.

2.6.2 Retail chains

Segetlija, Mesarić, and Dujak (2014:3) define a retail chain organisation as “a company transacting its business with multiple retail units under a joint proprietorship and usually has centralised decision-making for the definition and implementation of its strategy”. A retail chain differs fundamentally from an independent retailer as it is a highly regulated form of institution or organisation compared to a deregulated independent retailer. Still, retail chains are more efficient when compared to independent retailers (Wenzel, 2011:161).

A switch from national to local pricing may deter retail chains as it confuses customers who see national prices in mass advertising. It creates inconsistency, resulting in a psychological cost to the consumer and economic loss to the retailer (Li, Gordon & Netzer, 2018:40). Retail chain institutions may be enabled by inter-store stock transfer, which can fulfil 90 per cent of customer requirements whereby the waiting period of customers for certain products is decreased, resulting in increased satisfaction (Wong, Tai, Wei, & Yip, 2018:551).

Due to the significance of their size, retail chains can have value-creating networks, and it becomes easier to introduce new technologies, which creates efficiency in the organisation (Segetlija *et al.*, 2014:4). These technologies adopted by these retail chains make it easier for them to solve assortment planning problems (Corsten, Hopf, Kasper, & Thielen, 2018:907).

Retail chains can be competitive because of the results brought about by their single procurement policies, economies of scale, more advanced logistics, availability of their distribution centres, and greater brand recognition. These result in customer satisfaction, lower prices, a variety of product offerings in one store, and loyalty systems (Sigarev, Kosov, Buzdalina, Alandarov, & Rykova, 2018:553).

Retail chain expansion can result in profit gain or loss depending on the market structure and location (Blevins, Khwaja, & Yang, 2018:4088). If appropriately implemented, the market cluster of a retail chain can enable that retail chain's dominance in that particular market and consolidate its brand image (Lee & Kim, 2018:29).

2.6.3 Retail Cooperatives

Retail cooperatives consist of independent retailers that form a group to share tools that give them access to a network that can enable their operations to have economies of scale and scope (Stoel, 2002:59). These networks provide governance structures that eliminate subordination levels (Cassou, Cliquet & Perrigot, 2017:208).

For a cooperative organisation to be sustainable, its uniformity should be strengthened so that the cooperative's image can be reinforced to ensure membership increase, differentiate co-operators of a network from their competitors, improve purchasing conditions, and achieve sizeable savings (Cassou *et al.*, 2017:207). This uniformity can be strengthened by strengthening feelings of group identification and its culture, which will lead to satisfied members of a group who become productive and sustain the cooperative (Cassou *et al.*, 2017:208).

According to Raap and Mason (2016:25), the status of retail cooperatives in South Africa is inconclusive. Not only do retail cooperatives in South Africa close to non-existence, but the cooperative sector in the country is also in disarray. It needs serious government intervention (Kanyane & Ilorah, 2015:13). Therefore, retail cooperatives in South Africa face barriers due to a lack of proper management, infrastructural arrangements, training and skills development, and marketing (Raap & Mason, 2018:169).

For retail cooperatives in South Africa to be successful, they need to be provided with skills development programmes ad hoc (Raap & Mason, 2018:170). The government should also render practical support such as financial support, mentorships, and education, including benchmarking with countries that already run successful retail programmes (Kanyane & Ilorah, 2015:13).

2.6.4 Franchising

Franchising is a process whereby an organisation (franchisor) provides another organisation (franchisee) with a licence to operate economic activities in a market local to the franchisee with a franchisor's intangible resources such as system-specific know-how and brand name (Hendrikse, Cliquet, Ehrmann, & Windsperger, 2017:37). A franchisor builds a brand name through investment in marketing and promotion to ensure that information asymmetry is reduced between the firm and customers.

Franchising is a method that organisations use to expand and grow by partnering with a franchisee who provides land, money, and infrastructure costs to ensure that the franchise operates in new market areas (Erceg, 2019:559). The influence of local knowledge will determine whether the franchisor runs the outlet in that local market or franchises the outlet local knowledge is essential for firm success (Iddy & Alon, 2019:775).

Franchising can sometimes impede managers' innovation as they must follow the franchisor's policy, and their innovation must be aligned with the franchise strategy (Karmeni, De La Villarmois, & Beldi, 2018:1497). Clarity and consistency in communication are key for a franchisor-franchisee relationship to be stronger. It ensures that changes in strategy within the system are understood and may also avoid potential conflicts resulting from contract documentation (Kremez, Frazer, Quach, & Thaichon, 2020:19).

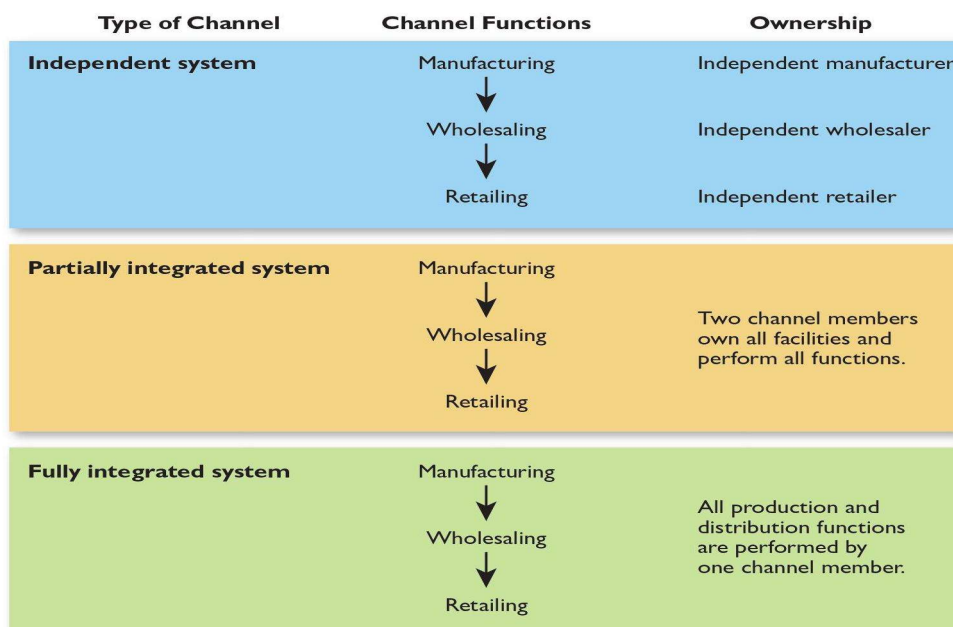
To ensure that low performances of franchises are avoided, franchisees should ensure that franchisees comply with the franchisor's concept and are aligned with their strategies, and should also provide coaching to franchisees so that their businesses can have sales and profit increases (Perrigot, López-Fernández, & Basset, 2020:8).

2.6.5 Vertical Marketing Systems

A vertical marketing system is a system that defines levels of businesses along the product channel of distribution or product value chain and how these businesses are interrelated to one another (Barry *et al.*, 2018:121). A vertical marketing system is depicted in figure 2.5 below. The product value chain channels consist of the first economy (agriculture or mining), where raw materials are extracted, manufacturer, wholesaler, retailer, and customer or end-user (Barry *et al.*, 2018:45). The vertical marketing system determines whether all four channels are independently owned, partially owned, or fully integrated, as depicted in figure 2.5 below.

Vertical marketing systems are developed due to competitive fluctuations in the distribution channel (Segetlija, Mesarić, & Dujak, 2014:2). Power is always a key player in the distribution channels as organisations or players in that channel need to cooperate to ensure that they get what they need out of the channels (Dunković, 2009:635). Organisations who fully own the distribution channel dictate their fortunes as their businesses cannot be influenced by external business in the value chain.

Figure 2.5: Vertical marketing systems



Source: Barry *et al.* (2018:121)

Vertically marketing systems in retail ensure that the roles of a marketing channel member are clearly and easily identified to avoid ambiguity through open communication. Staff in retail have a solid working relationship with supply chain staff and manufacturing staff (Trim & Lee, 2006:162). Organisations use vertical marketing systems to defend themselves against aggressive competitors (Lee & Trim, 2006:335) and help identify and satisfy unmet customer needs and problems in the supply chain.

CHAPTER 3

RESULTS AND DISCUSSION

3.1 INTRODUCTION

The study explored the retail environment ecosystem and individual retails in the Limpopo province to develop a management framework for sustainable retail shops. This study used an interpretivism research paradigm with an inductive approach for a qualitative research design. A case study analysis is a tool used, and semi-structured interview as an instrument to help develop such a framework. 12 rural retail owners from the Lepelle-Nkumpi and Fetakgomo-Greater Tubatse local municipalities are participants in this study.

Creswell's thematic data analysis analyses the data emanating from semi-structured interviews. The researcher labelled interview data into codes, these codes were grouped into categories, and the researcher developed these categories into themes. Most of the empirical data themes replicated the questionnaire's subject, and some themes emerged as new but related to the research objectives.

This chapter will address questions used as a research tool by describing and analysing the empirical data organised into codes. There is very little literature regarding rural retailers in South Africa, so there will be minimal compared with previous literature. Still, themes are explored so that they make sense. There is a comparison in chapter 4 between the empirical literature and prior literature on the themes and concepts. The comparison makes sense of the themes in the rural retail environment.

The first category of questions addressed Rural Retail's external environment using the entrepreneurial ecosystem's themes. This question asks the participants to describe the current retail ecosystem. The ecosystem research question is as follows:

1. How would you describe the current SMME retail business ecosystem (customers, competitors, and organisational partners, political, socio-economic, technological factors, and regulatory changes) in South Africa?

Questions 2 to 8 will be about themes in the Business model Canvas, focusing on individual organisations in the ecosystem. The questions will be as follows:

2. Please give an overview of your customer segments (mass market, niche market, segmented, diversified, and multi-sided markets)
 - a. Probe: How do you see the business growing your current customer segments base and new segments?
 - b. Probe: what do you perceive as challenges to attain that prospected growth?
3. Please provide an overview of value created by your business to your customer segments (newness, performance, customisation, price, design, convenience, risk reduction, accessibility, cost reduction, brand/status and getting the job done).
 - a. Probe: How is it differentiated from competitors? Is it unique?
4. Please elaborate on the channels (sales force, web sales, own stores, partner stores, and wholesalers) that the business use to reach its customer segments?
 - a. Probe: What challenges does the business have with the current channels?
5. Please provide an overview of your organisations' customer relationship management structures and processes (self-service, personal assistance, communities, co-creation, automated services)?
6. How would you describe the revenue streams of your organisations?
7. Please provide an overview of key activities that the business value proposition requires?
8. Please give a broad overview of key partnerships of your business

- a. Probe: What was the purpose of the partnerships?
- b. Probe: could you please provide in detail, strength, weaknesses, advantages, and disadvantages of these key partnerships?

9. Please give an overview of all costs incurred when operating the business?

The questionnaire aimed to identify the retail ecosystem's current and recent activities in the present individual retailers' businesses. The themes developed or found in data emanating from these questions will develop a management framework to ensure that rural retailers are sustainable and competitive in the current rural retail environment.

3.2 GATHERING, DISCUSSION, AND ANALYSING OF DATA

3.2.1 Coding process

The empirical Interview data in an audio format was transcribed into a Microsoft Word Document. Each paragraph was explored to identify codes that emanate from it that relate to the questionnaire's themes and any other theme that emerges.

A description-focused data coding strategy was used, which ensured that whatever was written was translated directly and factually without ambiguity while letting the data speak for itself (Adu, 2019:28). Open coding was used to assign coding to prominent and identified codes.

3.2.1 Research participants

Two of the participating businesses were liquor restaurants, while nine were general retail dealers. Four retail shops were operating for over 50 years, five were between 1 and thirty years, and two were between 30 and 50.

These businesses' ownership consists of five second-generation ownership, one third-generation ownership, and five first-generation ownerships.

Motives for involvement in a retail business

As most of these retailers establish their **business for convenience**, two identified it as the main reason.

"I was motivated to start the business because people would travel miles away from our region just to buy minor items like bread." P09

"I started the business because I wanted to meet people in the community halfway instead of them going to town then they would buy in my store to save costs." P10

Succession was another motive for participants to run retail businesses.

"My business is a general dealer, and I inherited it from my parents. It started operating in the 1950s. My parents started it, and after they retired, I had to take over. It was essential to take after my parents because they were old and nobody looked after them" P01

"I'm currently running a retail shop that you know. It's a family business. I am a third-generation within the business," P02

"I took over the business from my father after he passed on. I used to work with him even when he was alive after I finished school" P08

"The factor that forced us into business was age. I grew up to inherit my father's business and continue with the business." P11

Unemployment was another factor, with three respondents alluding to why they are in the retail business.

"I started the business due to unemployment, so I started as a street vendor selling avocados, peanuts, sweets, etc. Then I rented a store for about 4 years." P06

"I started my business in 2012 due to unemployment" P07

"I grew up loving it, and there were no employment opportunities for me." P03

Only **upholding legacy** was seen as a motive, as the retailer said it made him sad to see his father's business state.

"For me to continue with the business, it was because of my father's passing who left the business in dire destitute. It was painful to see my father's business not operating even though it belonged to my family. I told myself; let me rather invest monthly bit by bit in the business since I was working." P12

Entrepreneurial characteristic

Characteristics of the participants were investigated to see what drove them to be resilient in an environment as turbulent as the current rural retail environment. Four of the participants claimed prior exposure.

"It was essential to take after my parents because they were old, and nobody looked after them. I was interested because I was working with them during their time." P01

"I don't know based on the second generation, but I am the third generation of running the business because I learned about retail business from a young age and grew within the business. So, things are much simpler for me to run the business whether I'm there or not." P02

"I took over the business from my father after he passed on. I used to work with him even when he was alive after I finished school." P08

"My parents started it, and we were helping it up as we grew 1981/1982." P03

Exposure to role models positively influences people's entrepreneurial (Fellnhofer, 2017:14). Four participants mentioned **past influences from their parents**, who were retailers, as the reason for being involved in the retail business.

"My business is a general dealer, and I inherited it from my parents. It started operating in the 1950s. My parents started it, and after they retired, I had to take over." P01

Another factor was an **internal locus of control**. Entrepreneurs with internal locus believe that fate is in their own hands and can only make their businesses fail or succeed (Frederick, Kuratko & O'Connor, 2016:46).

"The business started operating in the 60s but closed down in the 2000s. I was working before I retired in 2009. From 2009 I started as an owner and rented that business building because I wanted to keep myself occupied." P09

"For me to continue with the business, it was because of my father's passing who left the business in dire destitute. It was painful to see my father's business not operating even though it belonged to my generation. I told myself; let me rather invest monthly bit by bit in the business since I was working." P12

3.2.2 Developing and reviewing themes

Three hundred ninety codes were analysed to determine emerging and prominent themes. These codes were consolidated into their similarities to create themes. In total, 16 themes emerged from empirical data.

Final themes

1. Competitors
2. Business strategies
3. Retail ownership
4. Political Factors
5. Regulations
6. Socio-economic
7. Technology
8. Customers
9. Value creation

10. Sales channels
11. Customer relationship management
12. Revenue Streams
13. Key partnerships
14. Value proposition activities
15. Operational costs
16. Rural consumer goods

3.3 DISCUSSION OF THEMES

3.3.1 Competitors

Three types of competitors characterise the rural retail environment. These are native or local retailers, immigrant retailers of Pakistan and Somali origin, and bigger retail chains. On a smaller scale, Chinese retailers are in rural areas in economically active regions such as Mines, but they are scarce.

Immigrant retailers

Low-cost strategies characterise immigrant retailers in their businesses, which they use as a competitive strategy, making them preferred retail companies of choice. This was supported by Mukwarami, Tengeh and Iwu (2018:54) that non-South African spaza shop owners buy in bulk, enabling them to obtain discounts and, therefore, sell their products cheaper.

"Our customers prefer going to the immigrant retailers' stores because they are price conscious, so customers switching costs at our region are very low, making it difficult to maintain the competitive advantage." P09

"We compete with immigrant retailers; they operate their businesses next to ours. They sell similar items as us, but at a lower price, so they make it difficult for us to maintain the competitive advantage." P10

Immigrant retailers positioned themselves geographically in a lucrative area and ensured that they controlled the market by renting out spaza shops 200 metres from each other. There would eventually be 6 Spaza shops surrounding one local retailer, making it easy for locals to buy from them because they are closer and cheaper.

"Our situation is very poor as customers pass our shops to go and buy from immigrant retailers." P08

"Our businesses are more surrounded by most informal companies, like the foreign-owned businesses." P01

"The only threat that I actually see among the things I mentioned is the immigrant competitors." P02

Immigrant retailers approach residences in the area and propose that they build infrastructure in their yards that they could rent to accommodate their businesses or rent from closed retailers. Petersen, Thorogood, Charman, and du Toit (2019:58) add that income from natives renting buildings for immigrant retailers does not counter the loss resulting from native retailers closing down and income from self-employment. In this way, they minimise any physical attack from local retailers or locals resulting from any xenophobic feelings. South Africa has had xenophobic attacks on immigrants and foreigners in recent years, so it will seem like an excellent strategy to pursue having a business operating in a local's yard. Any attack on the shop will be an attack on that local person.

One of the dark sides of competing using low-cost strategies is compromising quality. In immigrant retailers, people's health is at stake as they are known for selling fake products. Many social media videos show immigrant retailers confronted with expired goods in their shops. Many of these videos were published during the lockdown period because there was too much pressure on producers of perishable goods. Petersen *et al.* (2019:58), however, argue that the whole spaza sector, regardless of nationality, embraces informality by avoiding regulation which weakens state influence in minimising adverse impacts of dubious business practices, including selling of contraband and counterfeit goods.

"We also sell quality that we purchase from trusted wholesalers instead of products sold by foreigners like rice; it does not rise when they try to cook it. Even their sugar is fake." P06

"When the child is sent to a foreigner's shop, they find counterfeit goods. Some of them have expired, and some are fake goods" P12

Shopping complexes

In the past twenty years, shopping complexes have emerged in townships and rural areas. What shopping complexes bring to the rural environment is the bigger retail chains like Spar and Shoprite. Chisoro-Dube and Das Nair (2020:60) add that SPAR expanded from the older market into the middle, younger and rural communities using their Superspar, SPAR, Kwikspar and SaveMor.

"The bigger retail supermarkets are also a threat to us. They surround us, and they are selling at lesser prices, whereas we don't buy from the same wholesaler because they buy from manufacturers and sell at lesser prices" P01

"The business was doing incredible good before foreigners came into the market along with a shopping complex... the middle women they don't come to our shops. What they do is get their handbags and head to the shopping complex." P06

Shopping complexes also bring banking facilities, fashion retailers, furniture retailers, hardware retailers, and food chain stores. Shopping complexes are ideal for one to do their shopping as they would find what they need in one area. It would be easier for economically active people to do all their shopping and transactions at these shopping complexes as there are all the resources they need there.

"People who are currently employed don't usually buy from us. What they do is go to the shopping complex and buy there." P08

Native retailers

Native retailers are registered under the 1991 business act no 71 (State President's Office, 1991:16), which sold perishable items, cooked food, and health items to be consumed by people. They have isolated infrastructure that has a stand-alone yard. Most rural retailers have been in business for over 30 years, with the first-generation starting business in the 1960s.

"My business is a general dealer, and I inherited it from my parents. It started operating in the 1950s. My parents started it, and after they retired, I had to take over" P01

"I'm currently running a retail shop that you know. It's a family business. I am a third-generation within the business. It's a retail store, like I said." P02

Most of these businesses have closed, and some rented their buildings to the people who competed with them (Petersen *et al.*, 2019:58). Before the retail industry was flooded by informal retail establishments such as spaza shops, they were well regulated. These native retailers made profits as there was a regional boundary for retailers where they monopolised their functional area. The licenses offered regulated business territory by location so that a single retailer would operate in a monopoly over that area allotted to them.

"Previously, general dealers had licences that they had to pay, but since the influx of small shops in the area, they stopped paying licence fees. How would one pay for a licence in such a saturated market?" P12

3.3.2 Business strategies

Low-cost

The rural retail environment is characterised by competitiveness through low-cost strategies. This is prevalent among new entrants as they try to lure customers to their shop.

"When the foreigners entered the market, we started losing our customers because they would buy in bulk and charged lower prices than us. They would sell at almost cost price." P06

"To attract customers, we try to keep our prices lower than that of our competitors, and we do it often so that there is an idea that we are cheap so that they can come to us" P08

"We compete with immigrant retailers; they operate their businesses next to ours. They sell similar items as us, but at a lower price, so they make it difficult for us to maintain the competitive advantage." P10

Availability of credit facilities

One of the competitive strategies that native retailers use is the offer of credit to customers. It is easier for them to offer these customers credit because they know them and know where they stay, and it is this very reason that immigrant retailers cannot fully own the rural market because they don't offer credit. Malgas and Zondi (2021:69) argue that immigrant retailers offer credit to locals, which clearly shows that credit offering varies with regions.

"What we were left with are people who took stock on credit. We started selling our goods on credit to outperform the competition of retail foreigners in the market and shopping complex nearby where people find it easier to do their groceries than our stores." P06

"Our customers are long-standing loyal community members that have chosen to support local because we've been operating for many years. They know we can offer them credit and engage with us because they know us." P03

"Another thing is that we provide credit to our customers and ensure that it runs smoothly by constantly reconciling our books to make sure they pay on time." P08

"The issue I have is that customers want to buy on credit, and when I point out to them that I am only allowing cash, they start threatening me that they are going to buy from immigrant's stores." P07

It is also easier because most of these customers who receive credit are pensioners who are most reliable when paying. Pensioners do not like to complicate their lives by buying perishable goods where they know they will get credit. They also know that when they pay at the end of every month. They establish a healthy relationship with that shop owner, and sometimes they can get help, like borrowing money in emergencies.

"Another value is giving out credit to pensioners. It is part of how we run the business. Our competitors also do not give credit." P02

"But we have loyal customers such as old people(elderly) who allows us to sustain business growth." P10

Bulk purchasing

Bulk purchasing is a common strategy in any business that re-sells consumer goods. It only makes sense that if retailers maintain a low-cost approach, they must purchase bulk inventory. It will be cheaper and allow them to charge lower prices to ensure profitability in their business. Mukwarami *et al.* (2018:54) state that immigrant retailers use networks to purchase inventory in bulk which comes with discounts. These discounts are passed onto customers and ensure that non-South African spaza shop owners push volume with small profits. New entrants also use this strategy to take competitors out of business.

"When the foreigners entered the market, we started losing our customers because they would buy in bulk and charge lower prices. They would sell at almost cost price." P06

"These informal businesses are creating threats because they are taking our customers. They buy in bulk, and then they sell the goods at lesser prices, so the customers prefer those things" P01

Native retailers realised that the only way they could also be competitive was by buying bulk in a group, which is why the cooperative was established.

"We made a call to create a primary cooperative. We collected money and went to a wholesale company to buy the stock at a cheaper price given that it's bulk buying which allows us to get a good commission." P11

"We couldn't buy bulk, and as a result, our prices were a little steep.....Since we opened our SABEPCO (business cooperative), our mealie meal has been a big seller because of bulk buying, which reduces our prices given that we can purchase two lorries worth of products at once." P12

Price Wars

Price wars are widespread in businesses with similar product offerings, not being able to differentiate their product offering and operating in the same environment. This happens in this case when there is a new player in a retail environment. Businesses sometimes retaliate by charging even less than their competitors to protect their market.

"When I established the business, the sales increased enormously until Immigrants entered the market sales started declining. When the immigrants entered the market, I started charging similar to them to remain competitive." P07

"To attract customers, we try to keep our prices lower than our competitors, and we do it often so that there is an idea that we are cheap so that they can come to us."

P08

There is always a loser in this type of strategy and this case. Native retailers lose as they can't afford to have close to zero profits as they have families to feed as compared to immigrant retailers who are most, if not all the time, male and alone, with no sign of any family with them. These retailers can afford to survive with little profit as their lifestyles are not as lavish as the local retailers or do not have many responsibilities (Mukwarami *et al.*, 2018:54).

"When they enter a business environment, they spend three months selling their products competitively without profit. For example, they will sell a product at a price they bought cost. Like if they buy an item for R3, they will sell it for R3. What they are looking into is that after three months, they take any competitor in that environment out of business" P04

"They would sell at almost cost price. After gaining customers from us, they started charging higher prices than us, and our sales started declining dismally and continued establishing more of their business around our areas." P06

Market cannibalisation

Immigrant retailers have a spaza shop operating every 500 metres, especially in highly economic active areas like mines or factories. They do not mind sharing or splitting customers as long as they take the local retailer out of business. Their lifestyles are also not very expensive as they spend most of their time in those shops.

"After gaining customers from us, they started charging higher prices than us, and our sales started declining dismally and continued establishing more of their business around our areas. They would flank our shop with theirs so now customers could go into their shops before coming into ours." P06

This theme occurs in participant 6. It is essential as much as it is alone because it is visible and should be considered for competitor analysis. Starbucks commonly used a cannibalisation strategy in the USA to dominate a particular demarcation or territory (Kiviat, 2008). It is very effective when there is too much traffic in terms of customers. This strategy was used in a mining village of Bokone Platinum mines. Since the mine closed, half of those spaza shops are now closed.

These buildings were being rented, so it was cheaper to exit the market environment as there were no outstanding infrastructure costs in the business infrastructure. The outstanding costs would remain with the owner of that building, who is not a retailer most of the time.

3.3.3 Retail ownership

In the rural retail environment, retailers who own more than one ownership channel are more sustainable than single-channel ownership. Most successful retailers are the ones who have access to manufacturers.

"The bigger retail supermarkets are also a threat to us. They surround us, and they are selling at lesser prices, whereas we don't buy from the same wholesaler because they buy from manufacturers and sell at lesser prices, whereas we buy from wholesalers, and our mark-up is a bit higher." P01

"We buy stock from our competitor wholesalers, making it difficult for us to charge competitive prices because that will mean we would have sold our stock at a loss. It would work to our advantage if we were buying stock where our competitors were buying their stock because we would be able to maintain the competitive advantage. If we can get a warehouse for ourselves where we buy with lower rates to maintain the advantage, it would be easy to maintain the switching costs of our customers."

P09

The bigger retail chains also have an advantage. They negotiate to pay for their inventory for an extended period after it is purchased, compared to independent retailers who pay for their inventory on a cash-based transaction (Nabee & Swanepoel, 2021:9).

Another disadvantage for the local independent retailers is purchasing their inventory from wholesalers who also have ownership of these spaza shops. These retailers own the two channels of ownership as they have access to manufacturers, and they can charge the same prices that the wholesalers charge and still make profits (Anon:2015)

"Our challenge is our competition and the fact that we don't have wholesalers, and we have to buy stock from our competitors. It's challenging to survive. They inflate prices and squeeze our margins while offering the same products to our competitors who are their national counterparts at a lower price" P03

3.3.4 Political factors

There is a belief that the government has abandoned the rural retail industry as the participants think there is a lack of government support. This is supported by Petersen *et al.* (2019:58), who state that the government is viewed as anti-poor and authoritarian. Their policies exclude the poorest citizens through policies they frame and the unaccountability of law enforcement agents.

"Because all our issues and problems are presented to the government, they don't seem to be doing anything about them. They will listen to you, but they will do nothing for you because they know that you can't do anything about the matter beyond them." P04

"The government itself is a threat because they are not supportive of the industry. If they were supportive, maybe things would go well. One area the government can be supportive is if they build a warehouse close to our business, which will eliminate travel costs and offer products at a lower price." P11

This frustration is caused by the retailers' paying operating licenses, and government officials would visit their shops to see if they are compliant. After they laid a complaint, they, as rural retailers, cannot pay licenses to operate in an environment that is not well-governed. With this complaint, government officials stopped going to the shops (Petersen *et al.*, 2019:58).

"We receive no business support; we used to receive government officials that would visit our shops. They don't want to be involved; they stay in their fancy offices. Government lack of intervention and the increased number of foreign nations create conditions that are hard to compete in. They're always including us in the budget, but we don't receive any money from the" P03

"The government cannot provide us with the support we need, especially financial support." P12

Corruption is also seen as a setback for their progression as government officials request kickbacks and sums of money to process some of the retailers' requests. Like any other country, South Africa is not immune from such acts of corruption, as seen in the media daily on corruption issues in state organisations.

"Government officials mostly engage in acts that frustrate the process to mostly get a bribe or some kickbacks from us" P12

"We are engaging our municipalities because our cooperative is spread across multiple municipalities, but because they always want brown envelopes, they're slow in processing our issues." P03

These are statements that members have made about their cooperative involvement with administrative processes of visiting government offices for help. Red tape has also been a theme seen as a political factor affecting the rural retail industry.

"The government officials promised us loans. They will even tell you that the loan is available. But when you must access it, there is a challenge. The government wants to see a group of individuals working together and eventually decreasing in number as individuals leave that group or organisation." P04

"We are in the process of applying for grants from the government. We are still waiting for their response. President Cyril did mention that small businesses should apply. We have all our documents and compliance in order. We are awaiting them. Things are usually approved, but it's the lower government structure people always frustrate the process" P12

3.3.5 Regulations

The participants felt that there were no regulations in the rural retail industry. Yesufu (2021:21) argue that the government needs to regulate the retail industry by restricting foreign businesses from entering as it is already saturated.

"Previously, general dealers had licences that they had to pay, but since the influx of small shops in the area, they stopped paying licence fees. How would one pay for a licence in such a saturated market? The authority has told us to wait for a response regarding this matter. At the current moment, people are not paying for any licences." P12

"However, our current government has allowed a big influx of foreigners into the retail industry, which has brought challenges because foreign national shops are not paying taxes and are renting some of our buildings that are not certified. We took our concerns to the government and raised the issue of compliance with regulations amongst foreign nationals. When the government is asked why foreign nationals are here, they failed to provide us with good answers." P11

The market is saturated with spaza shops built in people's households. If such a market is to be regulated, it will cost the government a lot of money. The licencing act of 1991 required persons to have a license to trade in the environment regardless of whether they were hawkers or shop owners (State President's Office, 1991:6). How many officials will the government need to regulate such a market?

The resources they had previously would be enough to regulate two or three businesses in a village now; if there are over thirty spaza shops in a village, where will they get money to control them.

There are also concerns that businesses are not adhering to South Africa's trading acts as they do not pay any taxes or are not registered with the CIPC. This is supported by Petersen *et al.* (2019:58), who state there is no legislation or policing around spaza shops, making them an easy opportunity for micro-businesses who can leverage competitive opportunities from illegal business practices.

"Our businesses are more surrounded by most informal companies, like the foreign-owned businesses that don't comply with government regulations. They are draining our businesses and killing them because many companies that surround our businesses are not registered. They don't pay taxes to the government. They are many." P01

"Previously, general dealers had licences that they had to pay, but since the influx of small shops in the area, they stopped paying licence fees. How would one pay for a licence in such a saturated market? The authority has told us to wait for a response regarding this matter. At the current moment, people are not paying for any licences." P12

However, there was a glimmer of light last April during the lockdown. The minister of Finance, Tito Mboweni, mentioned that they would enforce licenses to all spaza shops and retailers (Shange, 2020). The enforcement of these regulations will be very interesting, especially if they have enough resources to execute them.

3.3.6 Socio-economic

One of the socio-economic factors affecting the rural retail land environment is that local or native retailers cannot access the funds they require to sustain their businesses. Iortyom, Mazinyo and Nel (2018:22) state that the spaza shops have limited access to finance and have high costs of doing business.

"We are trying to talk to the government so that they can do something for us. They can also let us buy from the manufacturers, or they can maybe meet us halfway as a government and give us some grants or loans." P01

"Same with the opportunity in our shops is financial power or money. If you have money and purchase your stock at a better price, you make a profit. The key to opportunity is money. The government officials promised us loans. They will even tell you that the loan is available. But when you have to access it, there is a challenge." P04

If it is true that government officials say that loans are available, then maybe something is holding back that money that does not involve corruption or kickbacks. Some of the reasons might be minimum requirements for accessing those funds are not being met. Some of the minimum requirements could be young people being part of an organisation to get a loan or grant. When one observes these rural retailers, most of

them are pensioners or old, so maybe the government is reluctant to offer or give them business grants.

Another socio-economic factor is that income in these areas comes from government grants. This is supported by Francis and Webster (2019:796) that 83% of households in South Africa fall below the monthly income of R 1 319.00.

One can observe that because these are lands owned by chieftains, there are no taxes or rates paid by residents to help boost the municipality and create employment opportunities. The municipalities in these areas rely on government grants, so there is very little development. Even mining villages see very little development as most companies that operate there are not from the village, which creates development issues that also feedback on income for people in these areas.

"Both youth and old people are part of our customers. When you look at our village, we have old people getting grants, and they pay for groceries monthly and then receive the goods." P11

"Most customers in our area live on social grants from the government, so when they collect their grants, they buy at the complex from the big retailers in the market." P08

*"Our customers are usually pensioners and the youth who also receive grants usually because those who work often buy from town because they have a vehicle."
P03*

As mentioned earlier, it is challenging for municipalities or land owned by chiefs to develop unless they have mineral resources. Retailers were, most of the time, organisations with economic growth.

"During the 70s and 80s, we were the only shop owners in the village, and we were able to employ a lot of people and pay tax. So, our money from the shops was circulating amongst us. However, when one observes the current situation, we have a serious concern about the economy of this country. We cannot employ many people in the shops because we realise that if the entire foreign national is removed

from the industry, maybe the country's economy will recover. Foreign nationals take the money elsewhere, which means it's not circulating in the economy. Moreover, they don't employ South Africans renting them buildings but rather employ Malawians and other nationals." P11

Participant 3 suggested that the only way to be employed in the rural retail environment is if all four sectors of the retail value chain happened in that rural environment. In this way, the money will be leaving the rural economy by supporting big manufacturers in big cities or immigrant retailers who do not circulate the money by employing locals and supporting farmers who are not in that rural environment.

"We intend to move into agriculture and be able to source from our harvests and offer them in our shops. The shop is only the end of the chain, and everything begins with a producer. We need to start our own product lines and offer our local people jobs. The government has failed to offer our people jobs, and the foreign nationals do not care about job creation. They want to buy and sell to our people. If we offer our people work, there will automatically be positive spillovers such as reducing the crime rate because people will be too busy to steal." P03

The only way the rural retail environment's socio-economic conditions can improve is if there is inclusivity economically. Most members of these rural communities participate in all four sectors of the retail value chain.

3.3.7 Technology

Technological factors were scarce in the rural retail setup due to adoption (Bvuma & Marnewick, 2020:10), education levels, and whether it fits with their lifestyle. Other factors, such as customers, also play a role as most customers are pensioners and children. Other factors can include network antennas or 4G/5G cellular networks. Other factors might be economic viability as an investment in infrastructure must have good returns; otherwise, technology ends up costing people who put up the infrastructure.

"Technological factors are difficult to apply because we are based in rural areas. So, you find that most people are not actually advanced in that they will respond well to technological things." P02

Other factors identified as the opportunity cost of doing business without technology are card or swiping facilities. When companies don't have card facilities, it limits customers to buying smaller items as they do not like carrying high cash values. Ndayizigamiye and Khoase (2018:63) state that SMMES must adopt e-commerce and weigh it against any drawbacks.

"Technology is negatively affecting us. Our businesses are designed for limited buying, so because of easy access to money through speed points, we cannot cater to people who want to buy a lot of groceries in one go easy access to money through speed points. As a result, they just buy small items and limit big items. Moreover, we don't have swiping facilities that can accommodate them, so they only buy small items from us" P03

"Another thing that impacted our business negatively is the lack of access to swiping facilities. We forfeited a lot of money because people would only have cards and no cash to buy." P12

Other lost opportunities due to the lack of card facilities are that social grant beneficiaries use banking cards to withdraw their money. Swiping is limited to economically active customers and social grant beneficiaries as well. A lot of money is lost because social grant beneficiaries go to the post office or shopping complexes to withdraw money instead of just going to the shop and swiping for goods they need and getting cashbacks on any left amounts in their accounts.

"Technology has developed to be quite useful although we could not use it. We can take a case of month-end grants. If we have swiping facilities, it will make things much easier because one would just come to the general dealer, swipe for different goods and withdraw the balance left on the card" P12

"The other thing is that we are trying to manage our goods or stock, and our sales through technology, but for a part of servicing customers through technology is actually difficult for us." P02

3.3.8 Customers

Customer segments identified in the rural retail environment are pensioners, children, the community, and economically active adults.

"My customers are old people, school kids, and the community." P01

"Our regular customers are pensioners (old age), minor children who buy small items, and young men who purchase cool drinks" P04

"Regular customers are pensioners, adults and minor children" P05

"Our regular customers are pensioners (old age), minor children, and scholars" P08

Pensioners are mentioned most of the time. This is because pensioners are the most income generators in these communities, and their income is the highest compared to other social grant beneficiaries. Pensioners also like using credit, so they make all their grocery purchases from the local retailers who can offer them credit.

"For example, our elderly like to use credit. They like to consume a product and then pay later. Even if you tell them that it is cheap when you buy cash, they just won't listen to you, they just like using credit to purchase some items" P04

"But we have loyal customers such as old people(elderly) who allows us to sustain business growth." P10

"We have old people getting grants, and they pay for grocery monthly then receive the goods" P11

Pensioners are the customers that keep these native businesses sustainable because they are loyal to them as they are the only group of retailers who offer credit. Pensioners know they can come in any time of the month to get whatever they want and won't have to worry about payment.

Pensioners also understand the value of relationship management, as they always pay for what they use for credit at the end of every month. Rousseau (2018:30) supports this who is arguing that older consumers are very attentive to the services they receive and do not compromise on quality when coming to service. They also ensure that they don't overuse their credit, so they usually just take what their pension allows them to struggle to pay.

"The old ones typically buy once a month or twice, which would be your basic food such as maize meal." P11

Movement and old age can limit pensioners' movements; they only go to these businesses at the end of every month to purchase all they will need for the rest of the month. Month-end also because it is the time when they receive their social grants or pension money. Children are the most mentioned customer segment in these communities.

"Some of us who are next to schools are lucky because students buy cash. Don't underestimate that cash coins as they can reach three to four thousand, which might help you purchase some stock." P04

"Our regular customers are mostly children who keep our business afloat, who consistently buy throughout the month." P08

Children are the most underestimated customer segment group as they are usually sent on errands. This is supported by Ngyah-Etchutambe (2021:100), who states that rural children run more errands than urban children. Because the weather conditions are generally hot in the Limpopo province, children have to endure the heat to get what households require during the month.

"Small children are also part of our customer base because their guardians often send them to the shops, and they will go where they can also buy sweets. Kids are also the decision-makers by default because they go where they can find what they want." P08

Children are some of the most undervalued customers in the rural landscape as they decide which shops to purchase goods they have been sent to buy. They ultimately have the buying power even though it is not their money that they are using to buy.

They will eventually buy goods at a shop that has the best treats. It is therefore vital that shops have the best treats for the children. It is often scorching in Limpopo, so cold treats such as ice cream should be a must if these retailers lure kids to their establishments. When children walk in the hot sun, they need to cool off, and ice cream or frozen juice will do.

People who are economically active or are employed tend to go to the market areas where resources such as banks, ATMs, clothing shops, franchise retail hyper or supermarkets are all close to each other. This is convenient to do multiple things in one area, such as financial services and socializing in restaurants (Mathu, 2019:91).

"People who are currently employed don't usually buy from us. What they do is go to the shopping complex and buy there." P08

"Those that could afford were able to go and buy from the town where prices were lower." P12

"The middle women don't come to our shops. What they do is get their handbags and head to the shopping complex." P06

The only way to reach this customer and keep the rural areas economically active is if the cooperative can enter those markets, central business districts, or mining villages with a hyper store or wholesaler. This will ensure that they get some of the customers from their business areas and snatch a part of the market from big companies in such areas.

Customer growth challenges

The identified customer growth challenges were a lack of resources such as card swiping facilities, inventory availability, financial capital, and sourcing and distribution systems.

"Challenges that make us not have that inventory are access to financial capital. Another challenge is when you have that money, where will you find decent stock or inventory that can enable you to have profits? Our customers like it when they come into our businesses and find what they need." P03

"Firstly, the South African currency is a challenge, it has lost purchasing power, and thus we buy less with the same money; secondly, good reliable transportation and nearby warehousing. It's a threat to us..... also, shortage of cash and not be able to buy stock to satisfy our customers." P11

Availability of inventory has been one of the challenges that native retailers face. People like to find stock available when they come and buy from your shop; otherwise, if they don't see what they need, they will stop coming to your shop as they know they will always be disappointed when they arrive there. Cilliers (2018:11) argues that a high inventory level leads to positive performance.

Another factor that hinders the availability of inventory is its affordability. Even if you have money, rural retailers will find cheap stock to keep them sustainable. Lack of access to factories or availability of factories in the rural environment may also be a factor as most products are sourced from big manufacturers in the big cities.

Other resources are card facilities. People don't like having cash in their homes as it is easier to get lost or stolen.

"Because those working often buys from town because they have vehicles. Moreover, we don't have swiping facilities that can accommodate them, so they only buy small items from us." P3

"Another thing that impacted our business negatively is the lack of access to swiping facilities. We forfeited a lot of money because people would only have cards and no cash to buy." P12

Customer behaviour can also be another factor. As mentioned earlier, children have the most significant buying power as they go to shops that will have items they like. The bargaining power of customers also makes it a challenge to get prospected growth for these retailers.

"Small children are also part of our customer base because their guardians often send them to the shops, and they will go where they can also buy sweets. Kids are by default also the decision-makers because they go where they can find what they want." P12

"Because our target customers are price conscious, it makes it difficult for us to prospect the growth" P09

Other challenges are that customers are price-conscious.

Customer growth solutions

Customer growth in the rural retail environment is challenging as it is saturated and turbulent. There were no standard solutions among retailers for growing customers, and customer relationship management was one of the perceived solutions to customer growth solutions.

"It's not a big challenge because we get suggestions on how we should run the business, what kind of changes we should apply on the business, because the customers are more open towards the business." P02

"Through the satisfaction of our customers, we can also grow through word of mouth." P03

Offering genuine quality products was also mentioned as one of the solutions to grow customers. Because there is a perception that immigrant retailers sell fake goods, native retailers make sure that they have quality products in their shops.

"To keep our customers satisfied, we always make sure that we satisfy their needs. We also provide quality goods to our customers and ensure that what they need is always available." P10

"We try to keep our customers happy (to attain growth) by giving them good quality products, especially the old age. When their children see the quality products we provide them, they'll realise that they left quality products for fake ones and will eventually buy from us." P06

Government support was also one of the themes identified as a solution to customer growth.

"The challenges are only those immigrants, and if the government can help us, maybe we can grow. The customers are just passing us to go to the immigrant shops." P01

"Government support is one way to grow the business because people want to support us but because we don't always have what they need. Moreover, through the support, we will also be able to offer products at a reasonable price." P03

Integrating backwards vertically in the retail value chain by going into wholesale and having chains can also increase customer growth.

"Simply, we need to compete on a larger scale with big retail companies like Pick & Pay and Shoprite. Thirdly, we also need to grow beyond our province and border into the African market." P03

"Moreover, buying directly from the producer will contribute to the pricing and allow us to have a competitive edge against our rivals." P03

3.3.9 Value creation

Convenience

Convenience has always been a priority for retail shops in general. In America, they even call retail stores "Convenience Stores". Convenience was one of the biggest value-created by rural retailers in Limpopo. This is supported by Makhitha and Khumalo (2019:23), who state that convenience is the most important attribute consumers consider when selecting a retail shop. The most value created by convenience is deliveries.

"My competitors do not drop prices and do not deliver, so those are the biggest cues to beat people competing with me." P02

"The business sells bags of mealie meal, the customers cannot carry for themselves, so I deliver their houses. They order online; then I deliver to them." P01

Retailers in the rural environment sell maize meal in 50kg/ 90kg bags. This trend can be because pensioners want all groceries for the month purchased during the day they receive their pension money, so they buy a more oversized bag of maize meal that would last a whole month. Another reason for a more oversized bag of maize meal is the size of families in these areas.

There are not so many economic activities or opportunities, so pensioners are sometimes the only income source in the families. The maize meal will take care of the children and grandchildren. Pensioners are also most of the customers of these rural retailers

Another value created is online or cell phone shopping, where customers order using SMSs, calls, or WhatsApp.

"They order online; then I deliver to them WhatsApp or telephonically. My delivery is unique in the area as other businesses do not deliver." P01

"They just order online, then I deliver to them." P02

Other forms of convenience are the sole selling of products. Participant 8 was the only one selling medication in their village, so people always knew they did not have to go that far when they needed medication.

"I am the only person in my area who sells that medication. People who know us from back then still come to the shop to buy medicine. They know that when they come, they will find it." P08

"I sell groceries, prepaid items such as electricity, airtime, and Mukuru. I was motivated to sell prepaid items such as electricity and airtime because people in my area travel miles away from our region just to buy electricity. I started selling prepaid items to serve the community by saving costs such as travelling costs." P10

Participant 10 also sells prepaid card electricity that people use to buy 50km away at cost. People in the areas add mark-ups on their electricity purchases as they do not have much commission, but participant 10 does not add any mark-ups on her prepaid items.

This also ensures that people become familiar with the store, and they also get to see what other products are available in the store. The more people come in, the more traffic and traffic other products can be purchased. This participant also provides financial services through Mukuru. People outside of South Africa can send money to their loved ones outside of the country for as little as R 10 charging fee.

"Another value is the availability of stock; the customers will even start questioning why I have to pay so much money to buy products at U-save or Spar if I can just buy it here. They can even purchase more of the products they need because some of the transport money will be spent on more items." P04

For people deep in the rural areas far from the markets, it costs more to buy products in the markets than in local shops. A lack of economic opportunities characterizes these rural areas, and therefore, they have lower buying power.

As mentioned earlier, most income source comes from government grants, and it is also from elders. Travelling is not only tiring, but it is also an addition to their costs. So, it costs more financially and physically for them to buy in the markets than at a local place.

Quality

Another theme of value creation is quality. People in rural areas like quality products, and sometimes they do not want to compromise on certain brands.

"We provide better quality products and recently manufactured goods than our competitors. Even our tinned fish is different from our competitors. We sell tinned fish that local people are familiar with. We look at quality, whereas our competitors look at quantity." P06

"Our customers are pleased. Goldie is a meat specialist providing fresh chicken that supplies us and delivers to our customers. Our customers are happy with the freshness and buy from us frequently" P11

"We provide quality goods as compared to our competitors. We also try to charge lower prices than our competitors on some items." P09

Immigrant retailers are primarily associated with cheapness, but also, quality is questionable most of the time. Some of the brands they are selling are not attractive to rural customers.

Ubuntu/ Communities

In the deep rural areas, customers only support people they know will also support them in emergency times. There is still that bondness of community members in the villages where they help each other. When there is either a wedding or even a funeral, such support may include borrowing a car in times of emergencies or even offering stock on credit. Machi and Kunene (2018:239) stated that micro-business owners act

in a socially responsible manner that is not pre-planned or budgeted, which is very helpful to the community.

"First and foremost, competitors would not agree to help you even if you offer them money to compensate for their transport costs. But because you have been in the community for long and have been neighbourly, you will help me even when I don't have money." P04

"Some of my customers will tell you that they won't support people they don't know. They will even give you an example like "the other shop owners, whom we don't know where they come from or where they are going to, they are just looking for cash from me. I always ask myself if they will help me with emergencies at night? For example, a child gets stung by a scorpion at night, will they even agree to help rush the child to the hospital?" P01

Ubuntu still plays a crucial role in these rural retail environments as community members even collectively help any family in need. For example, when there is a funeral, they collect R20 from every adult in every household. The family recipient of this money will receive close to R 10 000, depending on the village's size. So, there is still that Ubuntu-ness in rural areas and spills over to support retail shops.

Credit facilities

The availability of credit facilities is the only system that keeps rural retailers sustainable, as competitors in these environments do not offer credit.

"Another value is giving out credit to pensioners. It is part of how we run the business. Our competitors also do not give credit." P02

"For example, our elderly like to use credit. They like to consume a product then pay later. Even if you tell them that it is cheap when you buy cash, they won't listen to you. They just like using credit to purchase some items." P04

"My revenue streams are mostly cash and partial credit. We have a good relationship with our debt customers as most of them pay on time. We also do lay-by." P08

Credit is mainly given to pensioners as they are reliable when paying back the money at the end of the month. Lappeman, Litkie, Bramdaw and Quibell (2020:351) argue that retailers need to help African women with financial assistance to build a relationship with these women.

3.3.10 Sales channels

The sales channels used in rural retail are brick-and-mortar stores and WhatsApp/online/telephonic sales.

"People come to the store, but sometimes we use a telephone to place orders on some items." P09

"I have a store, they also call, and I deliver goods for them." P01

"Our customers sometimes call and ask if a product is available in the shop before they come. Instead of going to the store, the goods can be delivered, and telephone can be used to place an order or ask if a certain product is in-store." P06

Almost all native retailers use both sales channels to keep their customers happy. These retailers have some form of transportation available, which is used for deliveries. Telephone sales are convenient, but it is also a competitive advantage as immigrant retailers do not deliver or have telephonic sales. Von Briel (2018:224) stated that retailers must achieve and sustain high-quality customer interactions. Bowden and Mirzaei (2021:1427) added that retailers need technology to engage with customers in different sales channels.

Some of the challenges experienced are that if you operate the physical store and have telephonic orders, you need extra staff to help. It becomes a challenge if you don't have additional people to help.

"My main challenge is related to the main operations of running a shop. This is because my father used to run those activities while I would solely focus on selling. He would buy the stock, deliver to customers and even do the stocktaking, which I am still getting the hang of." P08

Other challenges include network issues as people need to call in to make orders. Mobile phone infrastructure is not the best in urban areas because fewer economic activities happen primarily in rural areas. Therefore, cell phone companies will not invest in infrastructure.

"Network is a problem. Secondly, airtime is a problem, and thirdly the flyers are costly to print, which is a risk to distribute given that one is not certain of the outcome of advertising." P11

There will always be challenges in rural areas due to poor road infrastructure. When people make deliveries, cars wear and tear more quicker than cars on urban roads. Other challenges are roads when there is rain or so bad that vehicles cannot travel.

"The biggest challenge is the maintenance because we have poor road conditions and cover a lot of kilometres in a short amount of time. We try to overcome it by understanding the car and trying to fix it ourselves." P03

The biggest challenge is the adoption of technology. It becomes cheaper when people start using cell phone applications (Apps). Rural areas are some of the slowest adopters of technology data management tools.

"It's a communal business, and it's based in a rural area. It's difficult to implement new types of fields platform or items to help the business or the customers get what they need. We stick to the traditional method, but then we can make our job easier."

P02

3.3.11 Customer Relationship Management

The most common customer relationship management practice in rural retail is personal assistance. Retailers listen to what customers want and their suggestions as well. Juanamasta, Wati, Hendrawati, Wahyuni, Pramudianti, Wisnujati, Setiawati, Susetyorini, Elan, and Rusdiyanto (2019:2006) argued that companies could use personalized service to serve customers according to their needs and conditions.

"I make sure that I treat my customers well. The person who helps me in the shop, I give them....., I can say workshop on how he must treat the customers. They must treat them with a smile, then attend to them." P01

"We are talking to our customers with respect, and if there is something they are not happy with, we try to connect with them and find solutions to the issue. We aim to put our customers first by all means by fulfilling their requirements or demand." P06

"We pride ourselves in providing excellent customer service by maintaining good customer relations. This is through communication respectfully with customers, regardless of age or social status." P08

Attending to customers with good service and patience when attending to pensioners ensures that they keep coming to the shop.

Events management is another customer relationship management tool used over the years, and some retailers still use it. Every year-end, they host an event where retailers give loyal customers food and gifts to thank them for the support they gave the retailers. Barnes, Kraemer, Gouthier, Ludwig and Giese (2021:352) argued that after-service gifts create a positive, joyful surprise that leads to customer delight.

"All we do is buy the products for when they are paid for December. They usually get paid on the first or second. We'd announce that we will make a function for all our customers. On the final day when people are paid, that's when the function would be." P12

"Our customer relationship management now is something I don't see myself having, but I will think of the retail business owners of late if I think of proper customer relationship management. After everybody had paid their accounts at the end of the month, they would serve them a meal they had prepared and give those drinks as well for free." P12

3.3.12 Revenue Streams

Revenue streams in rural retailers are either recurring revenue model (credit) or transaction-based (cash transactions). Retailers use recurring revenue models mostly on pensioners as they are reliable when paying at the end of the month.

"We only give credit to pensioners monthly, and it's on a cash basis every day for the whole public. The amount of credit we give out will be paid in full at the end of the month. So, at the beginning of every month, we know how much we will make at the end of the month. I only give credit to grown-ups/ pensioners." P02

"Customers pay cash, and I have others who pay monthly. I'm giving them items. Then they pay on 30 days' notice. For bigger items, of course." P01

The recurring revenue models are only applied to higher returns items in most, if not all, retailers. This model makes it easier for retailers to maintain a competitive advantage and sustain their businesses. They would already know how much they will make compared to the transaction-based model, where sales revenue is unpredictable.

3.3.13 Key Partnerships

Key partnerships that these rural retailers have is a cooperative that they formed to help them deal with their challenges. The cooperative's primary purpose was to help them buy in bulk to compete with immigrant retailers at low prices.

"It is called SABEPCO. It i's a group of retailers who decided to buy in bulk to get things cheaper." P01

"Now I can't say we have partners because now everyone is on their own except our co-operation. The cooperative is helping us have items cheaper. We buy in bulk because we get discounts as our money is more. You can negotiate a discount when there are many of you because your capital is much more." P05

"It's mainly SABEPCO and being involved in multiple municipalities because of the geographic area our cooperative covers." P03

"SABEPCO cooperative is our key partnership because we discuss and share ideas on moving forward with other members and what to buy in bulk amongst other products." P11

One key advantage of having the cooperative, apart from buying in bulk, is that members share inventory based on performance. They all get the same merchandise, but if one member sells out their stock, they can call other members and buy from them at cost.

"You can sell stock on behalf of the partners who fail to sell their stock quickly. (We support each other as partners so that nobody is left behind)." P07

The statement above is another initiative to keep inventory fresh to maintain quality as their competitive advantage and value proposition of quality. Their maize meal is always fresh because any member who sells out can go to another member and get more.

Meeting deadline payments for purchasing new inventory has been challenging for the cooperative as members use the money they make for personal reasons.

"The weakness in the partnership is that some don't bring money on time, while others don't attend the meeting or pay back money after they have received their products." P03

"Many of our partners are failing to meet the deadlines of payments, which led to us failing to buy our inventory on the date we agreed on. You'll find that they use the money supposed to pay for the next groceries, so we are short, or it delays our payments." P06

This inconveniences other members, but those whose business is taking a strain and looking for quick turnaround times leave the cooperative. This weakens the cooperative because they lose the buying power as a larger collective.

3.3.14 Value Proposition Activities

One of the key-value propositions the retailers possess is convenience. They deliver to customers so that they don't have to organise logistics for their groceries. Delivering purchased stock to a customer is one of the key activities

"We have our own cars to make deliveries to our customers. We buy some of the products on credit, and we pay after." P10

"I am using a car to deliver those goods. Not only a car but some guys who can help me offload those items." P01

One of the key value propositions is quality. To maintain this proposition, retailers have to ensure that they have fresh inventory in stock.

"We buy limited stock monthly. We avoid having too much inventory on hand, which might lead to stock becoming obsolete and losing its quality. So, to maintain the quality of our stock, we buy limited stock and make sure that it is sold by the end of the month so that we can buy new stock." P06

"You can sell stock on behalf of the partners who fail to sell their stock quickly. (We support each other as partners so that nobody is left behind)." P07

Another activity proposition of convenience is ensuring that inventory is available for customers to purchase. This will involve having inventory in the store so that

customers can buy. By selling other members' inventory in your shop ensures that fresh stock is available among cooperative members.

"I have to ensure that there is sufficient sugar, mealie meal, flour, meat, cold drinks and paraffin and diesel are available given that I'm catering to village people. By me ensuring that I have all these products every day, I know that my customers will be happy" P11

3.3.15 Operational costs

Operating costs in the rural retail environment are mostly logistics, inventory, labour in some instances, and electricity. Logistics or vehicle expenses were the most operational cost mentioned by most (9 to be accurate) participants. These retailers are still mostly individual retailers as their individuality outweighs their co-cooperativeness. They only purchase maize meal as a group, but the other items they must fetch individually from wholesalers.

"Transport costs, fuel costs and electricity as well." P10

"The costs incurred are the costs of purchasing stock and logical costs for transportation from wholesalers in Polokwane" P08

"Because of the limitation of the delivering vehicle, sometimes we are forced to hire bigger vehicles which will cost us approximately 300 Rands while it could have cost me significantly less, should I have used my vehicle. It digs into the profit margins."

P03

The situation is so dire that most retailers cannot even get a minimum wage from their profits in these businesses.

"Fuel rates to pick up the stock from the wholesalers, the electricity that we use to run the business and pay our workers." P06

Temporary labourers help some of these retailers as they usually help out mostly month end when there are deliveries.

"Stock, transport, and I also have a temporary employee who helps when I am in need." P09

3.3.16 Rural Consumer Goods

This theme emerged from the interview data. When participants gave examples of inventory, there was a pattern or certain products were mentioned by almost everyone. Consumer goods, as recurred 27 times. Maize meal recurred sixteen times, sugar six times, and cool drink four times.

"Before immigrants came through, I would hire an 8-ton truck and 60 x 80kg bags, 60 x 50kg bags, and at least 10 x 25kg bags. The business was booming, and I realised that I could take a business loan and have an urge to seek a truck." P04"

"Maybe one client buys 89 kg maize meal, 12.5 flour, 12,5 brown sugar, 2l fish oil, and 1 kg Cremora. Those are popular items among our elderly customers." P04

"The business was doing incredible good before foreigners came into the market along with a shopping complex. Maize meal was one of the best products that we sold." P06

"The business sells bags of mealie meal, the customers cannot carry for themselves, so I deliver their houses." P01

Almost everyone mentions maize meals, indicating that it is one of the most valuable consumers in rural areas. Other products include rice, cooking oil, and chicken.

3.4 SUMMARY

This chapter discussed the empirical study results that resulted from the research questions. The results indicate that business models can uncover businesses'

challenges in a rural retail environment. The inclusion of the ecosystem questionnaire also found the rural retail environment challenges. This ecosystem questionnaire exposed all players in the rural municipality used for the study and the business practices that the players used.

Individual retail businesses were also investigated using the Business Model Canvas questionnaire. The native retailers were in a turbulent environment as strategies that immigrant retailers made difficult for them, and most of them exited the retail environment. This also exposed various advantages that rural retailers had to make them competitive.

Rural retailers had different value propositions as compared to immigrant retailers. Shopping complexes were not so many, so they were not discussed in detail. One of the most visible value-added factors in terms of convenience was that immigrant retailers offered shorter distances to a retailer as a convenience. In contrast, rural retailers offered delivery services, credit facilities as a convenience.

Different customers were also discussed, with pensioners and children being primary customers. Children are customers with the most extensive buying power, all as they decide where they shop when they get sent to buy groceries. Children were also found to be the most visitors of retail shops compared to pensioners who visited once or twice due to their movement limitations resulting from their age.

Chapter 4 will conclude all research themes. Practical implications will also be discussed, and rural retailers' recommendations to be sustainable, given the current rural retail ecosystem. Suggestions for future research will also be addressed. Research on the rural retail environment is scarce, so the recommendations will offer as many options as possible to make research into rural retail as attractive as possible for future researchers.

CHAPTER 4

CONCLUSION AND RECOMMENDATIONS

4.1 INTRODUCTION

This chapter will conclude with findings from the empirical study supported by secondary literature. This chapter will start by summarising the findings from chapter 3. These findings are compared to the secondary literature. The chapter continues to recommend the themes from the results to ensure that rural retailers are profitable and sustainable in their operations. The chapter also summarises a management framework rural retailers can use to help sustain their businesses.

The chapter also identifies all research objectives stated in chapter 1 and assesses whether they were achieved or not. The chapter also provides recommendations for future researchers that can build up on the current literature conducted by the study.

4.2 SUMMARY OF KEY FINDINGS

4.2.1 Competitors

Competitors in rural retail are immigrant retailers, shopping malls, and native retailers. The most significant factor that characterised immigrant retailers was their low cost as a competitive strategy that native retailers could not compete with. This finding is supported by Hare and Walwyn (2019) that immigrant spaza shops challenge spaza shops through low pricing. Kgapola, Tawodzera and Tengeh (2019:26) further add that bulk purchasing enables these immigrant spaza shops to manoeuvre through the market with low prices. However, Piper and Yu (2016:673) argue that it all depends on the nationality of that spaza shop, the geographical area they are situated in, and the product they sell.

Counterfeit goods sold at Immigrant retailers were another factor that characterised this competitive cohort. This is supported by Hare and Walwyn (2019:10), who state

that fake goods offered by immigrant retailers can allow South African spaza shop owners to regain the market if they, in turn, compete on price and quality.

Geographical positioning is another factor that characterises immigrant retailers as they position themselves in lucrative business areas to ensure that the local retailer loses a customer and, therefore, exits the market. This is supported by Lamb, Kunen and Dyili (2019:1360), who state that immigrant retailers conduct an in-depth study on the area where they plan to position their business. This is to ensure that the area's dynamics, foot traffic, and design target customers to generate revenue for their spaza shops.

Shopping complexes as competitors bring lower prices and a central retail mix in these areas. Mathu (2019:92) supports this and states that they offer discounted prices on many items, banking facilities, and special offers. These shopping complexes have found their way into townships and rural areas, increasing development but taking a big market from rural retailers.

4.2.2 Business strategies

Business strategies utilised for competitiveness in the rural retail environment were low-cost price offering, market cannibalisation, price wars, bulk purchasing, and availability of credit facilities. Low-cost pricing is a current strategy to compete for customers in rural retail. This is supported by Piper and Yu (2016:673), who state that Bangladeshis and Somalis are cheaper than other nationalities and South Africans.

Availability of credit facilities is also one strategy native retailers use to retain customers. This strategy ensures that native retailers stay afloat. They are the only ones who offer credit as immigrant retailers don't know customers that well to provide them with shopping credit. Mampheu (2019:72) supports this and argues that entrepreneurs provide credit to ensure customer loyalty and retention.

Bulk purchasing is another strategy used in the rural retail environment. It enables retailers to compete using low costs as it will be cheaper to purchase products in bulk. This is supported by Mankgele and Fatoki (2018:9), who states that bulk purchasing

impacts the cost structure of businesses. Mukwarami (2017:113), and Malgas and Zondi (2019:16) acknowledge that networking helps immigrant retailers buy cheaply in bulk.

Native retailers in a rural environment fail to differentiate their product offering, so they mostly are reactive to what immigrant retailers offer. Immigrant retailers use low-cost strategies and compete on price while relying on volume for income. Native retailers usually have no choice but to also compete at low cost. This results in price wars, with native retailers losing the battle as they do not have any networks or cannot make a profit that will sustain their businesses when they compete on price.

Market cannibalisation is another strategy used by immigrant retailers. This strategy ensures that all customers in that area have convenience because they no longer must walk distances to purchase products. Several immigrants own spaza shops that will operate 200 to 300m away from each other. This will reduce foot traffic to native retailers and only result in profit loss.

4.2.3 Retail ownership

Retail ownership in rural retail consists of native retailers who mostly own small independent retail businesses, retail chains in shopping complexes, and immigrant retailers who mostly own total value chain channels of wholesale and retail. Native retailers cannot be competitive because they purchase inventory from wholesalers at the same prices immigrant retailers charge in their spaza shops. This raises suspicions that the same owners of those wholesalers might also be owning or controlling the spaza shops in the rural setting. This is supported by du Toit (2020), who states that the people who operate the immigrant-owned spaza shops are simply employees of owners of larger upstream wholesale businesses.

4.2.4 Political and regulatory factors

Political factors that affect the rural retail environment are the lack of support from the economic development department. Rural retailers feel that the government is not supporting them financially and through laws or regulations that ensure that their

business environment is fair and competitive in an environment with a high influx of immigrants. Malgas and Zondi (2019:18) argue that competition from immigrant retailers could be reduced if laws are enforced. Crush and Tawodzera (2017:38) argued that there needs to be a greater nuance in policy regarding the impact of refugee migration on the South African economy.

Lack of policy and regulation overseeing by the government also empowers rural retailers in that they don't comply with South African business regulation laws. Du Toit (2020) argues that most retailers choose not to follow South African regulations in their businesses as there is no regulatory mechanism to oversee compliance.

4.2.5 Socio-economic

Lack of funding or access to funding has been one of the factors that impacted the income of rural retailers as they could not get the inventory they needed to sustain their businesses. Malgas and Zondi (2020:8) argue that funding is available from government development agencies to aid rural retailers. For rural retailers to succeed, they must collaborate with government agencies to have sustainable financial support (Malgas & Zondi, 2021:70). Kgaphola, Tawodzera and Tenengeh (2019:26) earlier stated that one of the critical factors for the success of immigrant retailers was their access to funding.

Customers' income in the rural retail environment is mostly from government grants. This is supported earlier by Geyer, Ngidi and Mans (2018:68), who stated that high-density rural settlements have the lowest per capita wages as a higher proportion of these populations receive government grants. Chakona and Shackleton (2019:92) added that government grants improved household food security in rural areas. Because most rural people rely on government grants for income, these areas have minimal employment opportunities. This is supported by Mackett (2020:56), who states that grants receiving households have less favourable market outcomes than non-grant receiving homes. Rural retailers, therefore, have very few customers with high buying power, so they will have to maximise on low-income customers, and their offering needs to accommodate them.

4.2.6 Technology

Technology is a challenge in rural retail as it is difficult for retailers or customers to adopt. Factors such as education and familiarity with ICT-based operations in retail owners and customers are why there is slow technology adoption in these environments. This is supported by Räisänen and Tuovinen (2020:66), who state that the digital skills of rural people hamper them from being technology savvy. Bvuma and Marnewick (2020:10) further add that, in general, non-adoption is caused by the perception from small business owners that technology is either not easy to use or complicated.

The lack of electronic payment facilities is also a factor that hampers rural retailers and businesses. When there are no swiping facilities, customers with digital money don't support these businesses. This includes their primary customers and grant beneficiaries, who are paid electronically and access their money using bank cards. This is supported again by Räisänen and Tuovinen (2020:66), who stated that the lack of infrastructure in rural areas ensures a digital divide between urban and rural people.

4.2.7 Customers

Customer segments in rural areas are pensioners, children, employed people, and the community. Pensioners are the most extensive customer base for rural retailers. This can be attributed to social grants that predominantly fund rural households, and pensioners earn the most compared to the other grant beneficiaries. Pensioners also use credit to purchase goods. This makes them the most loyal customers to rural retailers as immigrant retailers offer no credit.

Children are the most underestimated customers in rural Limpopo province. The province is also one of the hottest, so for adults to avoid enduring the heat when they must get groceries at the shops, they send children. Children, therefore, have the most considerable bargaining power when they must choose which shop to buy. They would eventually buy from a shop they perceive to have value based on the best treats. This is supported by Crush and Chikanda (2015:110), who state that children are lured into shops by displaying popular drinks such as Mayo (frozen yoghurt). The third segment

of customers is community members at large. These are demanding customers to keep as they only come into the shop when convenient, and a few of them mostly prefer to use electronic payment methods.

Customer growth challenges identified by rural retailers were a lack of inventory and swiping facilities. Lack of inventory is caused by a lack of financial capital to sustain the stock and supply chain management systems suitable for rural retailing. Price wars also result in native retailers not generating revenue, resulting in a lack of growth and more inventory. This is supported by Orpha Cilliers (2018:11), who states that if small retailers are to grow, they must easily maintain high inventory levels. Eicker and Cilliers (2019:10) further add that inventory availability will increase the retailer's ability to respond quickly to customer needs.

As identified by rural retailers, customer growth solutions were to integrate backwards to have wholesalers vertically, ensuring that they pay reasonable prices for inventory. Offering quality products is also a customer growth solution, as immigrant retailers are known to sell counterfeit products. Better customer relationship management and government involvement (access to finance or funding) are the last two perceived factors to propel customer growth in a rural retail environment.

4.2.8 Value creation and rural retail goods

Convenience is the essential value that rural retailers create for their communities. Rural retail shops are convenient because they are close to customers. Customers can order telephonically, and their products get delivered. Accessibility to other services such as prepaid electricity and financial technology services where people send money outside the country like Mukuru also make these rural retailers attractive. They drive traffic into their businesses which generates revenue for the retailers.

Native retailers sell quality products that are a value that they propose compared to cheap, mostly counterfeit products sold by immigrant retailers. However, Crush and Chikanda (2015:109) argue that quality products are expensive, so low-income community members support immigrant retailers with their cheap products. However, Hare and Walwyn (2019:10) see a weakness in immigrant retailers' cheapness as they

sell counterfeit products, which might play into native retailers' market share growth because they offer genuine products.

Ubuntu is another value that native retailers offer. When community members need resources like transportation during distress like funerals, rural retailers help them without asking for payments. Immigrant retailers mostly don't have delivery services, or they do not offer community members any help in that regard. These further increase loyalty from community members to the native retailer.

Credit offered is another value provided by native retailers. Immigrant retailers do not offer credit; therefore, native retailers can retain customers by purchasing on credit and paying at month-end. Pensioners are such customers who prefer to purchase goods on credit to pay back at month-end. Ikadeh and Cloete (2020:9) support this, stating that local retailers started offering credit to increase profits and growth, among other strategies. Crush and Tawodzera (2017:39) argued that immigrants offered more credit than native retailers, which differs from Limpopo, as immigrant retailers do not provide credit.

Most consumed rural goods are maize meals and sugar. Some of the products are flower and cooking oil

4.2.9 Sales channels

Sales channels used by rural retailers are physical stores where customers go to traditional brick-and-mortar buildings to purchase groceries. Telephonic purchasing is also available for rural retailers through calling, WhatsApp, or SMSs. The delivery services offered by native retailers enable them to use mobile telephones as sales channels because they receive their payment when they deliver or offer those products on credit.

4.2.10 Customer relationship management

The only customer relationship management strategy rural retailers use is personal assistance. Most of their customers are pensioners and like patient people; therefore,

personal service would help them. Retailers, however, keep the same energy as all other customers. This is supported by Mampheu (2019:72), who argues that personal assistance on customers to a point where the retailer knows a customer's personal life will lead to loyalty from that customer and result in long-term customer retention.

4.2.11 Revenue streams

The revenue streams are both transactions based and recurring revenue. This revenue is generated from sales of grocery items, so it is an asset sale revenue-generating stream. Transaction revenue is imposed on all customers except pensioners who are offered credit. Offering pensioners credit on certain food items such as maize meal offers the business stability as the retailer can forecast how much inventory will be needed in a month. Predicting the things to be purchased in a month creates a recurring pattern.

4.2.12 Key partnerships

Coopetition is a crucial partnership strategy rural retail owners employ in their businesses. They have formed a cooperative, which they use to purchase inventory in bulk to compete using a low-cost strategy. This partnership benefits retailers as retailers can buy merchandise at cost from another retailer when they run out of stock. This is consistent with Mukwarami and Tengeh (2017:341) findings that native retailers must form a mutually beneficial network to sustain their businesses and reduce costs.

4.2.13 Value proposition activities

Two key value propositions for rural retailers in Limpopo are quality products and convenience. For convenience, retailers allow customers to order products online using mobile phone applications such as short message service, WhatsApp and calling in. For quality products, they purchase fresh quality inventory from reliable suppliers and buy merchandise from one another at cost so that the stock can move quicker. This provides quality merchandise as it does not stay long in shops before selling it.

4.2.14 Operational costs

Operational costs for rural retailers are logistics, electricity, and labour costs. Logistics were mentioned as the most costs they had as they often hire or use their vehicles to purchase inventory from wholesalers and other suppliers. Temporary labourers are another operational cost for retailers. When they must deliver, they need temporary labourers, primarily young men. They will pick up 25 kg, 50 kg, and 80 kg bags of maize meal which one individual cannot deliver as it may cause grievous bodily harm.

4.3 RECOMMENDATIONS

4.3.1 Competitors

Before a mall is built in rural environments, there is environmental scanning and market feasibility. This will show whether the local economy can sustain the mall, so if it is made, there is enough buying power in that community. Rural retailers should build wholesalers next to areas where malls are situated. This will allow them to regain the market share of the economically active customer segment who buys groceries in these malls. Rural retailers must differentiate from shops or supermarkets in that mall through low-cost products.

Immigrant retailers are scattered around rural retailers, out-competing them in price and convenience. Rural retailers need to cannibalize their market by introducing spaza shops in their trading markets. These spaza shops need to be run by locals of those communities where they are established. Established rural retailers need to have a programme to train and integrate locals to run their mini retail businesses or spaza shops. Rural retailers need to study their business environment strategically to place the spaza shops to regain the market share they lost to immigrant retailers. These spaza shops can be in the form of a shipping container or small, erected buildings similar in size to immigrant retailers.

4.3.2 Retail ownership

Rural retailers currently own small independent retail shops. Immigrant retailers have a network of spaza shops, distribution centres, and wholesalers. With allegations associating immigrant retailers with selling fake products, they are probably manufacturing them somewhere if that is true.

Rural retailers need to change their business model radically by establishing a cooperative organization that can offer them an opportunity to grow exponentially. They are currently operating in wholesale and retail. In contrast, immigrant retailers are active in manufacturing and wholesale/retail, making it easier for them to distribute their merchandise through their networks.

Products sustaining rural retailers are maize meal, cooking oil, eggs, cake, bread flour, and milk. If rural retailers are involved in every sector responsible for the final product of these items, they can dictate market prices and still make profits.

Therefore, rural retailers need to vertically integrate backwards into wholesale, manufacturing, and farming to help sustain their businesses financially and allow for room to compete at a low cost. Rural retailers have a competitive advantage as they can access land from the department of agriculture and land reform, which immigrant retailers cannot access. The recent failure of the land expropriation bill to pass parliament should be another factor that shows the importance of land in the country, so it will be difficult for non-South African to access such land.

Rural retailers should also be active in the manufacturing sector. In this sector, they need to partner with established producers of products they sell, such as bread flour, maize meal, cooking oil, canola, sunflower, or olive oil. They will provide raw materials for the products and get finished goods ready for retail at a lower price. This will ensure they control market prices for those items and go on a full-price war with immigrants.

In the wholesale and retail sector, rural retailers must also establish wholesale hypermarkets for the public, their retail shops, and other non-member retailers, including immigrants.

Rural retailers should partner with tertiary education institutions or research institutions to develop products they can manufacture in the development and research sector.

4.3.3 Business strategies

Rural retailers should establish a cooperative and vertically integrate forward and backwards into all sectors of the economy to ensure they can dictate market prices on lucrative products to compete on low prices while maximising profits. They need to establish wholesales in a highly lucrative environment like Lebowakgomo, Apel, Atok mine and various economic hubs along the R37 road towards Burgersfort.

Rural retailers need to do a market analysis on products that locals consume which are not available in the retail environment. Once they discover such products, they need to partner with research institutions to develop and patent such products and manufacture them for the rural business environment and other markets.

Rural retailers must partner with established agro-processors or manufacturers of cooking oil, maize meal, Mabelle meal, or bread flour to ensure they get the products at affordable prices. They can supply raw materials such as maize, wheat, rye, soya beans, sunflower, cottonseed, and more to the agro-processors and purchase completed products at low prices.

Rural retailers need to ensure they take advantage of available, affordable electronic transaction infrastructure to enable them to accommodate customers with plastic money or bank cards.

Rural retailers need to centralise their buying and supply chain models to minimise logistics costs for individual retailers. This can also attract new customers who want to own spaza shops and run them without worrying about the logistics of having inventory available.

4.3.4 Political and regulatory factors

Rural retailers should all register their businesses with the CIPC and register for income tax with SARS. They should comply with all licenses required for grocery retailing, ensuring that they comply with all regulations and avoid any interruptions caused by regulatory and government agents.

Rural retailers should organize themselves professionally as a cooperative organization led by a talented top management team. This will convince government departments such as economic development not to hesitate to issue loans or grants to help fund any new projects that need establishment. These retailers need to include youth within their governance structures to assure government agents that their projects have a long-term vision and plans.

For any government to fund a wholesale retail chain project that costs millions, the following documents must be compiled in a file to accompany an application for such funds/loan/grant:

- Permission to occupy land from chieftaincy in the region
- Market analysis and feasibility study
- Surveyor general to assess the land offered by the chieftaincy
- Valuation report to calculate the value of the land
- Retail licence application
- Lease agreement from rural development (usually between 40 to 60 years)
- Community resolution for the development of such a wholesaler
- Environmental impact assessment
- Road agency grant access to the property (access engineers)
- Application for bulk services from municipalities

For any manufacturing, documents must also be in order as prepared by an industrial engineer. Rural retailers may consult with the Agricultural Research Council for various licenses for all agricultural farming.

4.3.5 Socio-economic

For rural retailers to access funds from the government, they need to present themselves as a group with a vision and a clear mission with practical goals that are measurable and sustainable. They must show a clear strategic picture that includes youth and sustainability over an extended period.

Rural retailers find it challenging to employ locals as they do not currently have money to pay them. It is recommended that rural retailers have regulated employment rates aligned with fair labour practices. These rates should include a position of employees, rates per hour for regular days, weekends, overtime, and Sundays and public holidays. The whole cooperative organisation should adhere to these rates so that they can align with labour laws. For peak times such as month-end, rural retailers should have a database of people willing to work as there is a greater demand for delivery workforce.

Rural retailers should register, pay levies, and partner with sector education training authorities (SETA) for their trade for education and talent development. Such SETAs are AGRISETA for agriculture, CHIETA should decide to manufacture chemicals, FOODBEV if they manufacture food and beverages, and W&RSETA for their wholesale and retail division. These SETAs will assist rural retailers in training diploma/degree graduates, TVET graduates, and high school graduates. The SETAs will help in any development from internships, undergraduate certificates, degrees, diplomas, and post-graduate studies for any division that they will be trading in.

Rural retailers need a database of local manufacturers willing to enter a relationship with them through contracts to supply them with goods. This will also grow the rural economy and encourage supplier development and localisation. The database will also include local civilians ready to provide agricultural products that can be processed and local civilians ready to be end-retailers as spaza shop owners. An excess of arable land in rural areas will encourage community members with access to such land to start farming and generate income. Rural retailers can promote a high number of participants by helping with ploughing and harvesting resources such as tractors, snappers, huskers, and shellers.

If they can encourage locals to participate in the spaza shop business, they will increase market participation and empower the economically participating people with income. By encouraging locals to manufacture, they will be helping with the industrialisation of the rural economy and creating revenue in these areas.

All the above initiatives will help local and rural economic development in the retailers' areas. Empowering locals can increase economic participation and per-capita income in these areas, prevent poverty alleviation, and decrease over-reliance on government grants for the community members they are active.

4.3.6 Technology

Rural retailers should champion technology further to drive their organisation to efficiency and customer growth. One technology they must adopt is enterprise resource planning software such as SAP. This SAP system will ensure that all their procurement, logistics and supply chain is centralised in one system, which will help with planning and forecasting. This will also help with supplier database needs, long-term contracts, storage, and planning. This system should integrate all wholesalers and distribution areas.

Rural retailers must accommodate customers who don't like carrying cash and prefer electronic payments. This will also ensure no significant amount of money is held on-premises, reducing theft. For the adoption transition to be made accessible, there must be training for the rural retailer on using electronic payment devices.

Rural retailers must create mobile applications for savvy customers who like convenience. This should also be made for other retailers when they purchase inventory for their shops. It should be a business-to-business and business-to-the-customer application.

4.3.7 Customers

Retailers need electronic transaction machines in their shops to increase customer growth. This will accommodate customer segments who are part of the workforce as they always have cash in their accounts, and with a lack of ATMs in rural areas, they do not need to carry cash around to transact.

Children have the most buying power as they are sent on errands for groceries in rural areas. Children like treats and sweets, so retailers need to ensure that they have such treats available in shops to increase the traffic of children into the shops. Limpopo is also hot, so frozen yoghurt, iced creams and frozen juice are a must-have in the shop to ensure traffic from children.

Rural retailers are situated in areas where schools have government feeding scheme programmes. Feeding schemes are programmes where government appoints a service provider to supply food groceries such as tinned fish, processed liquid milk, vegetables, maize meal, and samp. Rural retailers must approach these service providers and establish long-term relationships through contracts to supply these feeding schemes with groceries at a lower cost. This will decrease delivery costs for service providers' feeding schemes as they must purchase goods from wholesalers far from the schools and get quality goods at low prices.

4.3.8 Value proposition and rural retail products

Rural retailers should integrate vertically into manufacturing and agriculture. They will create opportunities to compete at low costs while maintaining quality and increasing their profits. They should also incorporate vertically into research and design or partner with a research and design institution. This can allow them to create unique products, ensuring they have custom products unavailable in the market and will own a market share until competitors imitate them.

By contracting feeding scheme service providers, they will ensure that they create convenience and reduce costs for them and risks that might occur when those service providers deliver products themselves at schools.

Rural retailers should retain their customers and grow new customers by offering transportation when customers need funerals or weddings. This should be tailor-made for loyal customers in the retailer's books. The transportation service should ensure that customers borrow that transport for a specified period, and there will be a bill for anything above.

Rural retailers should register themselves as financial services providers to ensure that they tap into the financial services market, which is very scarce in rural environments.

Rural retailers must focus on 20% of products in demand or everyday needs and invest 80% of their resources on these products as they will prove profitable. Rural retailers need to look into integrating backwards vertically and participate in all value chains related to such products. Such activities must include farming raw materials or agricultural products that will be processed to produce such products.

4.3.9 Sales channel

Rural retail co-operatives should create mobile applications that cater to members and non-member businesses and customers who want to transact online. Money can be loaded into these applications through vouchers or direct bank deposits, and these customers should use the money on the applications for such online purchases. This channel will provide retailers with the live movement of inventory and ensure that there is lean manufacturing, decreasing storage costs.

4.3.10 Customer relationship management

Through social media, customers should give feedback on a good or bad service experienced in any member shop or any place of business for a rural retailer. This will ensure continuous improvement in service provision by rural retailers.

4.3.11 Revenue generation

Once rural retailers integrate into farming, they will have equipment for harvesting and ploughing. This equipment could be rented to other farmers who will be harvesting goods that will be sold to other buyers. Rural retailers could also lease warehousing space for local manufacturers who do not have enough capital to build their own.

4.3.12 Key partnerships

Rural retailers must partner with SETAs such as AGRISETA, CHIETA, FOODBEV, and W&RSETA for agriculture, manufacturing, and wholesale-retail. These SETAs will help rural retailers with talent development needs to ensure continuous development and growth as an organisation.

Rural retailers also need to partner with higher learning institutes to ensure they can use the intellectual resources these institutions provide to develop new products for manufacturing.

Rural retailers must partner with established food processors and manufacturers who can convert agricultural goods into finished products such as cooking oil, bread flour, maize and sorghum meal. This will reduce the total cost of retail products, enabling the retailers to dictate the market prices of those goods.

4.3.13 Value proposition activities

An application should be created to make it easy for individual customers and other businesses to order inventories and groceries from rural retailers. This application will also include agricultural raw products and manufactured goods.

Rural retailers need to organise themselves professionally and have a measurable goal to lock the funding required for expansion into farming and manufacturing. Professional institutes should be consulted to ensure that

The supply chain should be centralised to ensure that individual retailers have inventory delivered to their establishment to avoid purchasing goods at wholesalers.

4.3.14 Operational costs

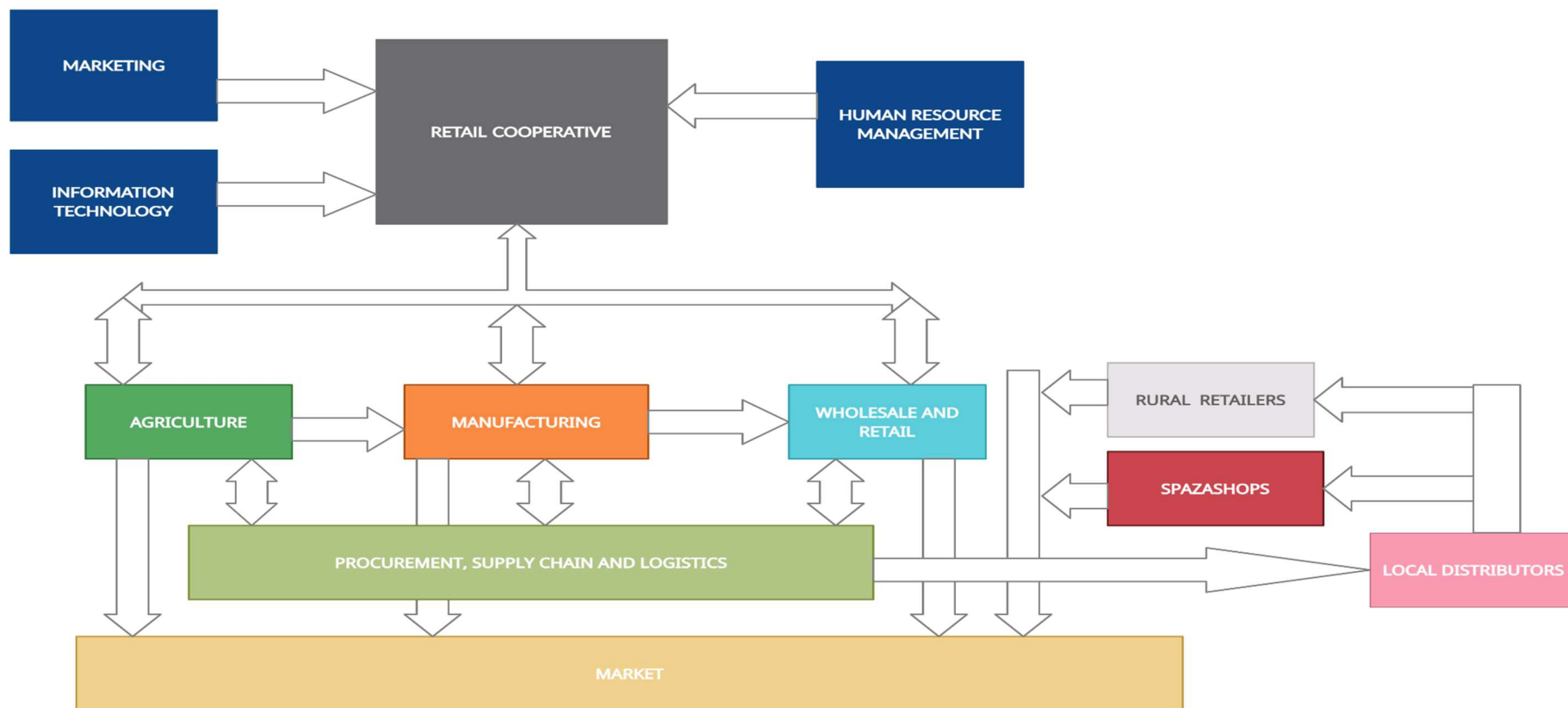
Rural retailers must have cost-driven strategies to ensure that their budget can accommodate their operations. Labour costs should be regulated to ensure constant and predictable fixed costs.

Through monthly or quarterly forecasting, all inventory should be purchased using economies of scope to ensure that quality objective is achieved and lean supply chain management is practised. This will also ensure no surplus inventory, increasing security risks and storage costs.

4.4 PROPOSED MANAGEMENT FRAMEWORK

Figure 4.1 below depicts a proposed management framework for rural retailers to run their businesses sustainably.

Figure 4.1 Management framework for rural retailers



Source: Researcher's compilation

4.4.1 Discussion of the proposed management framework for rural retailers

This section discusses the proposed management framework for rural retailers in Limpopo province. The framework depicts all business units in the cooperative.

4.4.1.1 Retail cooperative

The retail cooperative is registered with CIPC, consisting of a collection of rural retailers forming a cooperative partnership. The organisation will consist of business units such as agriculture, manufacturing, and wholesale-retail, supported by information and technology, human resource management, and marketing departments.

This organisation will have a top management team consisting of the chief executive officer responsible for the operations of each business unit and its supporting functions. Every supportive department and the business unit will consist of managers overseeing their day-to-day operations.

4.4.1.2 Marketing

This function will support all marketing activities. Marketing activities will include and not be limited to market research, marketing, and advertising campaigns, ensuring that product offerings are targeted at relevant market cohorts.

4.4.1.3 Information technology

Information technology will provide all supporting information management systems for the organisation and its business units. Business units, including rural retailers and spaza shops, will also support this function.

4.4.1.4 Human resource management

Human resource management will provide all the organisation's human resources needs, including hiring, talent management, and development. This function will ensure that a partnership between the organisation and various SETA organisations is established to ensure that talent development is executed efficiently and with little cost.

4.4.1.5 Agriculture

The agricultural business unit will consist of the production of products used in processing and manufacturing 20% of the products, providing 80% of revenue and profit for the retailers. This will include farming small crops such as maize, sorghum, sunflower, cotton, rye, wheat, soybeans, sugar beans and other lucrative products that can generate revenue for rural retailers.

This will not be limited to the small crops as products such as eggs should also be produced as they are part of dietary plans for rural customers. Meat, chicken and animal production must also be considered for farming and selling in the mainstream market, such as abattoirs and auctions.

4.4.1.6 Manufacturing

Rural retailers should partner with established food manufacturers and processors. These retailers should establish contracts where they can negotiate a good deal to provide raw agricultural products for manufactured and processed goods at a low price. These contracts will give them a competitive edge because they will have quality goods that they can sell at competitive prices and generate revenue and profit.

Rural retailers should not be limited by partnerships with established manufacturers but also establish manufacturing factories that can manufacture products that their technical capabilities can achieve.

4.4.1.7 Wholesale retail

Cooperative organisations should look for market gaps in the economic hubs of rural areas where they can establish wholesalers to compete with any shopping complexes or immigrant retailer's wholesalers. These cooperatives should have long-term contracts with industry giants such as Tiger Brands and Pioneer Foods to get products that rural customers use. They should negotiate the best prices to ensure they have competitive prices while providing quality.

4.4.1.8 Rural retailers and spaza shops

Rural retailers and spaza shops are stand-alone shops that provide convenience for rural customers, and rural retailers are slightly bigger than spaza shops. Logistics and supply chain in the cooperative should ensure that these shops receive inventory through various sourcing mechanisms such as phone calls, WhatsApp, email or mobile applications.

4.4.1.9 Local distributors

Local distributors are agents or units that distribute inventory to spaza shops and retail shops. These agents can be organisation owned or can be privately owned contracted distributors. The sole purpose of local distributors is to have just-in-time delivery of products. Retailers can order their inventory in the morning and deliver it before the end of a business day. This will ensure that retailers and spaza shops can compete on quantity as they will always have inventory available, which is provided to them at a reasonable price.

Availability of inventory will also ensure that rural retailers keep their business afloat as customers will always find what they need in the shops.

4.4.1.10 Procurement, logistics and supply chain

The procurement, supply chain and logistics business unit will ensure that the movement of goods in all business units operates efficiently. This will be limited to organisation merchandise and all stock items required to maintain business units.

4.4.1.11 Market

The market will consist of all customer bases for products in agriculture, manufacturing, wholesale retail, rural retails, and spaza shops. Excess agricultural products should be sold to market agents, abattoirs, animal feed manufacturers, and other organisations procuring products that the cooperative produces in the farming sector.

Excess processed products should also be sold to customers procuring them. By selling all these items, the cooperative can have multiple revenue streams, which is good for its sustainability.

4.5 BUSINESS MODEL CANVAS

Wholesale and retail				
KEY PARTNERS Wholesale and retail SETA manufacturers Local farmers for fresh produce Industry associations	KEY ACTIVITIES Customer support Product sales Supplier/ manufacturer relationship management Placing long-term contracts with suppliers and manufacturers Inventory distribution and deliveries Manage competitor pricing	VALUE PROPOSITION Quality and genuine products Convenience Low-cost price Credit for pensioners	CUSTOMER RELATIONSHIPS Personal assistance online customer complains (WEBSITE) Social media (facebook, twitter)	CUSTOMER SEGMENTS Tenderpreneurs/ government schools feeding scheme Spaza shop owners Retail store owners General public
	KEY RESOURCES Distribution networks Point of sale systems Delivery trucks and bakkies SAP enterprise resource planning system Talent		CHANNELS Telephonic sales Stores Wholesale stores Web sales	
COST STRUCTURE Talent salaries Delivery costs Electricity Point-of-sale software subscriptions Marketing costs Customer relationship management			REVENUE STREAMS Asset sales	

Manufacturing				
KEY PARTNERS Manufacturing SETA Industry associations	KEY ACTIVITIES Production Marketing Sales Packaging Maintenance of manufacturing equipment Deliveries/ logistics/ warehousing	VALUE PROPOSITION Delivery SABS approved products Low price	CUSTOMER RELATIONSHIPS Social media Website interaction Trade shows Personal assistance	CUSTOMER SEGMENTS Wholesalers Animal feed suppliers/retailers Tenderpreneurs
	KEY RESOURCES Factory facilities Human talent Storage facilities/ warehouse Delivery trucks and bakkies Manufacturing equipment		CHANNELS Factory shop web sales	
COST STRUCTURE Talent salaries Energy/electricity costs Delivery/logistics Maintenance costs Manufacturing input costs Warehousing/ manufacturing facilities lease Marketing Waste removal			REVENUE STREAMS Product sales	

Agriculture				
KEY PARTNERS Department of agriculture Rural suppliers for cattle and crops AGRISETA Industry associations	KEY ACTIVITIES Farming Marketing Sales Farm setup	VALUE PROPOSITION Cost reduction Convenience High quality agricultural produce	CUSTOMER RELATIONSHIPS Dedicated customer representatives Visit to customer premises Website Social media	CUSTOMER SEGMENTS Small crops animal feed producers processed agricultural food producers Department of Agriculture beef production local butchers Other abattoirs in Limpopo, Gauteng, and Mpumalanga Auctioneers
	KEY RESOURCES Human talent Farming input (seed etc) Farming infrastructure		CHANNELS Beef production Auctions Direct from farms Own abattoir Crop production Selling direct from farm Leased silos	
COST STRUCTURE Talent/ manpower Marketing Farming equipment Silo lease/rental Delivery and transportation costs Set-up costs for land preparation Fertilizers Animal feed ingredients			REVENUE STREAMS Product sales	

4.6 ACHIEVEMENT OF THE STUDY OBJECTIVES

The study's primary objective was to develop Management Framework for sustainable retail SMMEs in the Limpopo Province using business models. This was supported by secondary objectives listed below and described how they were achieved.

To conduct a literature study on business models, business model innovation, retail management, and business model innovation frameworks.

The literature review introduces and defines the concept of the business model. It further discusses business model innovation's importance and how it is executed in retail. The chapter then discusses various business model frameworks. Retail management is examined through the concept of retail ownership. The literature review achieves its objective by providing insight into ownership in retail and business model concepts.

Using a qualitative research methodology, semi-structured interviews on retail SMMEs using business models in the Limpopo Province to make empirical investigations in the rural retail landscape.

Thirteen themes from the business model frameworks were identified, and two more themes, business strategies and retail ownership, were also identified from participants through qualitative interviews.

To summarise results on the rural landscape and make recommendations on improving the rural retail business model.

Results of all fourteen themes were summarised, and recommendations on each of them were also provided to improve rural retailers' operations.

The primary objective of the research was achieved, which was supported by the three above-mentioned secondary research objectives. The study's findings will add to the literature on spaza shops and retail SMMEs.

4.7 RECOMMENDATIONS FOR FUTURE RESEARCH

There is minimal research on management frameworks for sustainable retail and rural SMMEs in South Africa, which was only focused on the Limpopo province. Future studies can expand to other regions. This study was also qualitative, so a quantitative questionnaire can be developed for future studies that include more retailers.

Technology in the rural retail landscape is too complicated for adoption. Future researchers can develop a framework that will help rural retailers adopt technology to make expansion and operations efficient for rural retailers.

4.8 SUMMARY

This chapter concluded the study by summarising the research findings and providing recommendations for rural retailers to improve their operations. All secondary objectives and a primary objective of the study are identified and summarised, and these objectives are achieved. There is a recommendation for future researchers also stated.

The main objective of developing a management framework was also achieved, as summarised in the chapter. The recommendation for rural retailers is to radically overall their business model from operating in a silo to working as a cooperative. Another suggestion is to use cost-based operations, which also recommends exploring all four economic sectors to achieve their objective of being sustainable.

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