

An Analysis of the Dominance of Migrants in the South African Spaza and Retail market: A Relationship-Based Network Perspective

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Abstract : The South African formal economy is rule-based economy, unlike most African and Asian markets. It has a highly developed financial market. In such a market, foreign migrants have dominated the small or spaza shops that service the poor. They are highly competitive and capture significant market share in South Africa. This paper analyses the factors that assisted the foreign migrants in having a competitive age. It does that by interviewing Somali, Bangladesh, and Ethiopian shop owners in Cape Town analysing the data through a narrative analysis. The paper also analyses the 2019 South African consumer report. The three migrant nationalities mentioned above dominate the spaza shop business and have significant distribution networks. The findings of the paper indicate that family, ethnic, and nationality based network, in that order of importance, form bases for a relationship-based business network that has trust as its mainstay. Therefore, this network ensures the pooling of resources and abiding by certain principles outside the South African rule-based system. The research identified practises like bulk buying within a community of traders, sharing information, buying from a within community distribution business, community based transportation system and providing seed capital for people from the community to start a business is all based on that relationship-based system. The consequences of not abiding by the rules of these networks are social and economic exclusion. In addition, these networks have their own commercial and social conflict resolution mechanisms aside from the South African justice system. Network theory and relationship based systems theory form the theoretical foundations of this paper.

Keywords : migrant, spaza shops, relationship-based system, South Africa

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