

A Study of Different Retail Models That Penetrates South African Townships

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Abstract : Small informal retailers are considered one of the most important features of developing countries around the world. Those small informal retailers form part of the local communities in South African townships and are estimated to be more than 100,000 across the country. The township economic landscape has changed over time in South Africa. The traditional small informal retailers in South African Townships have been faced with numerous challenges of increasing competition; an increase in the number of local retail shops and foreign-owned shops. There is evidence that the South African personal and disposable income has increased amongst black African consumers. Historically, people residing in townships were restricted to informal retail shops; however, this has changed due to the growing number of formal large retail chains entering into the township market. The larger retail chains are aware of the improved income levels of the middle-income townships residence and as a result, larger retailers have followed certain strategies such as; (1) retail format development; (2) diversification growth strategy; (3) market penetration growth strategy and (4) market expansion. This research did a comparative analysis between the different retail models developed by Pick n Pay, Spar and Shoprite. The research methodology employed for this study was of a qualitative nature and made use of a case study to conduct a comparative analysis between larger retailers. A questionnaire was also designed to obtain data from existing smaller retailers. The study found that larger retailers have developed smaller retail formats to compete with the traditional smaller retailers operating in South African townships. Only one out of the two large retailers offers entrepreneurs a franchise model. One of the big retailers offers the opportunity to employ between 15 to 20 employees while the others are subject to the outcome of a feasibility study. The response obtained from the entrepreneurs in the townships were mixed, while some found their presence as having a “negative impact,” which has increased competition; others saw them as a means to obtain a variety of products. This research found that the most beneficial retail model for both bigger retail and existing and new entrepreneurs are from Pick n Pay. The other retail format models are more beneficial for the bigger retailers and not to new and existing entrepreneurs.

Keywords : Pick n Pay, retailers, shoprite, spar, townships

Conference Title : ICABE 2021 : International Conference on Applied Business and Entrepreneurship

Conference Location : Cape Town, South Africa

Conference Dates : November 04-05, 2021