THE MARKETING CHALLENGES OF SPAZA SHOPS IN DEVELOPING AFRICAN COUNTRIES: THE SOUTH AFRICAN CHALLENGE

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Abstract

Spaza shop marketing simply means marketing strategies that benefit small businesses. In this time of global recession, small companies are exceptionally proactive in keeping sales up. A number of market related challenges have been identified as contributing to the failure of Spaza shops in South Africa. The research problem of this study emanates from the current high business failure rate. The research investigates whether marketing challenges of Spaza shops contribute to high business failure rate in South Africa.

The main hypothesis of the research tried to establish whether there is a positive correlation between lack of marketing skills and business failure of Spaza shops. The conclusion is that a positive correlation exists between marketing skills and business failure in South Africa.

In order for the researcher to identify whether all of the marketing challenges contribute to business failure the main hypothesis was divided in five secondary hypotheses. The research has established that there is a significant correlation between the different variables such as competition; low demand of their products; poor locality of their small business; lack of market knowledge; ineffective marketing their products and business failure of Spaza shops. The South African challenge is to improve the marketing skills of small business owners as small business is considered to be the panacea for South Africa's unemployment problems.

Key words: *marketing challenges, south african spaza shops, lack of marketing skills, business failure, business measuring criteria*

1. INTRODUCTION

Marketing seems to be an overwhelming concept to most small business (SME) owners such as spaza shop owners. *Spaza* shops are some of the most popular forms of informal family sector businesses in South African black townships, alongside *shebeens*, crèches, traditional medicine vendors, hairdressers, backyard mechanics, construction, crafts and apparel (Bureau of Market Research- Unisa, 2004). They are defined as small retail enterprises, mainly operating from a residential stand or home (Ligthelm, 2002). Spaza shops need marketing solutions that ensure smooth-running, profitable business yet most do not know where to begin or how to focus their efforts. Dockel & Ligthelm (2009) indicate that very little marketing is actually undertaken by spaza shops.

Secondary resources (Bateman & Snell, 2006; Bowler, Dawood & Page, 2007; Government Gazette, 2008 & Kroon & Moolman, 2007) acknowledge that cannot implement conventional marketing models because of the limitations of resources which are inherent to all spaza shops. Another reason is that SME owner/managers behave and think differently from conventional marketing implemented by large companies. The problem seems to be that spaza shop owners lack of marketing skills. However, it seems that marketing skills remain one of the most important challenges for the spaza shop owner. In this context the focus is on marketing skills related challenges and how these impact on business failure. Research conducted by Kroon & Moolman, (2007) indicates high failure rates of spaza shops. From all new business ventures created, 60 percent fail in their first year; 70 percent in their second year and 90 percent in their first 10 years of existence. The purpose of the research is therefore to investigate whether marketing skill challenges of spaza shops contribute to high business failure rate in South Africa.

The research problem can be formulated with the following question: Can lack of marketing skills challenges be a contributing factor for business failure? In this research a number of marketing skill

challenges will be identified as contributing to the South African spaza shops failure. Apparently spaza shops have difficulties managing marketing skills such as market segmentation; needs analysis; marketing of products and services successfully. Their marketing efforts seems to be haphazard and informal because of the way spaza shop owners do business; they make most decisions on their own, respond to current opportunities and circumstances and so decision making occurs in a haphazard and apparently chaotic way, according to personal and business priorities at any given point in time (Scase and Goffee, 2009). Clearly such limitations will influence, indeed determine, the marketing characteristics of the spaza shop. It seems that spaza shop owners do not conform to the conventional marketing characteristics of marketing textbook theories; instead their marketing is characterised by the limitations outlined above. Thus, the marketing efforts of spaza shop owners are likely to be haphazard, informal, loose, unstructured, spontaneous, reactive, built upon and conforming to industry norms.

The researchers critically reviewed previous literature on the phenomenon and seek some tentative guidelines and possible solutions to the research problem.

2. RESEARCH METHODOLOGY

Secondary and primary sources were used to gather information to analyse marketing skills of Spaza shops. Secondary data is the cheapest and easiest means of gathering information. The main sources of secondary sources were journals, articles, press reports, books, and research studies. In obtaining primary data a questionnaire will be used. This section will look into the methodological method to use in this dissertation which includes methodology paradigm, questionnaire design, population, sampling methods and types of measurement instruments to use.

A paradigm is a fundamental model or scheme that organises views of something, although a paradigm does not answer important questions, it tells us where to look for answers (Welman & Kruger, 2008:186). This is seen as a basic orientation to theory and research. The method of research for analysing managerial skills of entrepreneurs in the Pretoria area and the problems they experience falls under a qualitative paradigm. A qualitative methodology captures and discovers meaning through a research question, and measurement is in terms of verbal data, with non-causal and inductive[1] theory, whereas quantitative methodology tests a hypothesis, and measurement is in terms of numerical data, with causal and deductive[2] theory (Neuman, in TVU Dissertation notes 2001:43). Since the aim of this research is to answer a research question by understanding the perceptions and experiences of entrepreneurs, in order to gain insight, rather than test with a necessity to generalise conclusions, a qualitative paradigm was deemed appropriate.

The questionnaire consisted of a set of questions and the questions were divided into three sections. The first section is the demographic or classification section, which describes the profile of the respondent in terms of a number of demographic and socio-economic attributes. Section two of the questionnaire investigates existing managerial skills of entrepreneurs. The last section researches the gaps between skills that entrepreneurs should have and existing skills as well as success factors of SME owners.

Since the aim of this research was to answer a research question by understanding the perceptions of small business owners qualitative research was used to conduct primary research. The population of the research consists of all spaza shops in South Africa. A Department of Trade & Industry (Gem, 2006:48) list of 2 000 spaza shops exists which formed the population of the study. A sample of 500 small business owners was randomly selected from this list and the 500 questionnaires were completed using the face to face interview method between 1st and 28th of February 2009. 421 replies were received which means a response rate of 80 percent. This may be considered a good response rate

[1] Inductive approach is a research strategy where data is collected to develop theory or hypothesis Saunders, Lewis & Thornhill (2005:45).
[2] Deductive approach is a research strategy where existing theory or hypothesis is tested Saunders, Lewis & Thornhill (2005:44).

according to Nederhof (2008) considering the sensitivity of the topic, the nature of the problem under investigation and the inhibitions that SME owners might have regarding the survey.

The data was quantified and analysed looking at the frequency of occurrence and importance of the problem. The frequency distribution was used after the accumulation of data is completed. Then, when the observations are grouped into frequency-distribution tables, the process of data analysis and interpretation is made much more manageable and meaningful. A frequency distribution shows in absolute or relative terms how often the different values of the variable are actually encountered in the sample (Zikmund, 2009:427). In other words, a frequency distribution indicates how 'popular' the different values of the variables are among the units of analysis.

The main construct of this study marketing challenges was measured through the use of Likert-type scales. The basic scale design therefore consisted of a Likert-type scale with five scale points (with labels ranging from strongly agree to strongly disagree) and 11 scale items. This scale was found to be highly reliable with a Cronbach's Alpha of 0.7. In this study the researcher not only wants to describe the sample data such as means, standard deviation and proportions but wishes to make inferences about the population based on what was observed in the sample.

3. LITERATURE REVIEW

3.1. The South African spaza shops

Spaza is a popular township slang meaning dummy, copy, imitation, replica, quasi, makeshift or fake; referring to these trading outlets' very limited operational resemblance to grocery stores and supermarkets (TTO, 2002). These little outlets are traders rather than producers, in that they purchase formal sector goods which they sell on to customers at a margin (Davies & Thurlow, 2009). They are mainly a form of a convenience shop, selling essentials and basic products like bread, milk, paraffin and sugar, largely to the immediate neighbourhood.

The Labour Force Survey (2009) shows that, as at September 2007, of the 2 409 informal sector participants, 1109 were involved in wholesale and retail trade, making up 46% of total informal sector workers. Litghelm of the Bureau of Market Research (UNISA), in his National Spaza Survey (2002) lists the following attributes of *spaza* shops:

- They normally operate from a home or residential stand.
- They are mainly financed by private savings, or loans from friends and relatives.
- The average employment per business is 2.9 persons.
- The most important products sold at these outlets are bread, soft drinks, cigarettes, paraffin/candles, maize meal and sugar.

Among many of the challenges that form of businesses have, the author also lists the following as being the most significant:

- shortage of trading stock/finance;
- high crime rate/robbery;
- severe competition;
- expensive transport; and
- bad debt/too much credit.

Most of these factors are reiterated by Chandra and Rajaratnam (2001) who list the following on their surveys conducted, concerning SMME development constraints:

- access to financial services; credit and savings;
- access to training: business skills, technical training, adult basic education and training;

- industry or sector specific constraints;
- access to infrastructure and basic services: housing, water, electricity, waste removal;
- access to business related infrastructure: manufacturing space, close to others involved in similar activities, trading and storage space; and
- regulations: how public space is regulated, licensing and by-laws.

It is clear from the above that *spaza* shops exist within turbulent structural imperfections of the economy, most of which will be changing within a short period of time. It will require a long term co-ordinated effort from various structures and role players integrating the informal sector activities into the mainstream economy, with the purpose of attaining the macro-economic objectives. In his Small Business Sustainability study 2007-2008, Professor Ligthelm, of the Bureau of Market Research at UNISA found out that over a year after he identified them, only 54.4% of home-based businesses (*spaza* and tuck shops), and 28% of street vendors were still operational.

3.2. The importance of Marketing for South African spaza shops

Small business definitions differ vastly in smaller countries like New Zealand and South Africa to their bigger counterparts in the US and the EU. There are an estimated 15 million Spaza shops worldwide. Small businesses are common in many countries, depending on the economic system in operation. A small business may be defined as a business with a small number of employees. The legal definition of "small" often varies by country and industry, but is generally under 100 employees. These businesses are normally privately owned corporations, partnerships, or sole proprietorships. Small businesses are common in many countries, depending on the economic system in operation. Typical examples include: small shops, hairdressers, corner shops and spaza shops. Spaza shops have been promoted by policy since 1995 in South Africa.

Bateman & Snell (2006) observe that the basic principles of marketing are universally applicable to large and small businesses but in addition secondary resources (Chaston & Mangles, 2002; Siu & Kirby, 2008) indicate that the study of marketing in Spaza shops has been recognized as a problematic area for researchers for over 20 years. In effort to explain SME marketing, Simpson &Taylor, (2002) developed the Role and Relevance of Marketing model which relates the role of marketing within the organization to the relevance or need for marketing demanded by the external business environment. It is also a fact that marketing determines in the long term whether the SME will succeed or fail. Gem (2006) argues that marketing in Spaza shops is fundamentally different because planning and strategy can be less important than marketing implementation. It is questionable whether small businesses need to practice marketing at all to survive and grow. However, the study by Hogarth-Scott et al (1996) concluded that small business owner-managers were often generalists, not marketing specialists and complex marketing theories may not be appropriate for small businesses and probably would not aid in the understanding of their markets. Nevertheless, it seems that marketing was practiced to some degree by small businesses.

3.3. Perceptions of South African Spaza shops on marketing

Marketing factors such as poor location, insufficient marketing, inability to conduct marketing research, misreading the market, poor products or service, poor service, misreading customer trends and needs also have an impact on the success of Spaza shops. Secondary research indicates that SME owners' perception on marketing related challenges is that they do not have time or money to invest in research to establish their target markets, customer trends and marketing in general.

3.4. Marketing related challenges of Spaza shops

Murphy (2006:13-14) states that small business owners exhibit certain personality traits that are responsible for the success or failure of their businesses. Inadequate marketing skills of owners create marketing problems in the small business sector. Some of the marketing challenges have been addressed in the various studies on Spaza shops. These can relate to the following:

- Gain an understanding of the market and potential for growth
- Market Segmentation
- Market Needs Analysis
- Education and training
- Competitiveness
- Marketing of products and services

3.5. Measurements of successful Spaza shops

The classification of Spaza shops in this study is based on size, turnover and number of employees (Bowler, Dawood & Page, 2007). Organizational success or failure in Spaza shops is seriously affected by the managerial competencies of the owner-manager; in fact, decisions are mainly based on the director's personal skills and intuition rather than on analysis of information. The owner-manager usually adopts a highly personalized management style, tending to follow a "react and adapt" philosophy and fire-fighting strategies, focusing on short term horizons and not engaging actual strategic planning (Hudson et al., 2001).

Spaza shops present some distinctive characteristics that differentiate them from large enterprises. This implies that also their needs in terms of performance measurement processes and tools are different from those of larger companies (Cocca & Alberti, 2009). Since Spaza shops suffer from lack of resources, the performance measures should be very simple, synthetic and easily collectable, otherwise the effort needed for measuring would be higher than the benefit gained. Similarly also the procedures for measures collection should be well defined and resource effective (Coca & Alberti, 2009).

The success of Spaza shops can be measured with the following measures.

1) Profitability is probably the first thing people think about when measuring success.
2) Growing customer base is a sure sign that the SME is effectively reaching target markets.
3) Customer satisfaction is an indication that the SME understands the needs of customers.
4) Employee satisfaction is another key indicator of business success.
5) Owner satisfaction.

Next the research findings will be conversed.

4. RESEARCH FINDINGS

The demographic data on the SME owners covered the gender, age range and level of education. This part also enquired on number of years respondents have been in business, why they are in this business, number of people employed in the business and on average, how much the business was making monthly.

4.1. Gender and Age Distribution

The researcher was interested to see the gender and age distribution of the respondents and the results is shown in figure 1.

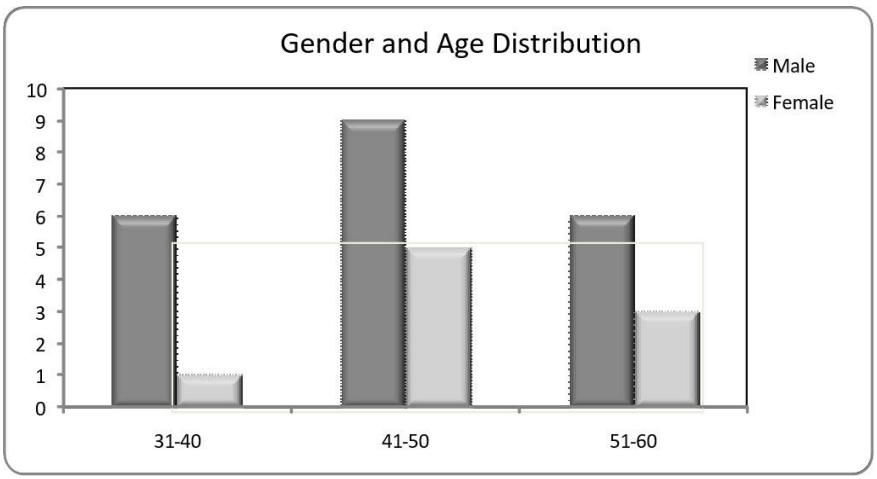


Figure 1. Gender and Age Distribution

Figure 1 shows that of the SME owners participating in the research 70 percent were male and 30 per cent were female. As per Figure 1 below, the researcher found none of the participants to be under 30 years or over 60 years of age; 23 per cent in the 31-40 age range; 14 in 41-50, and 30 per cent within 51-60 years. There were 20 per cent males in the 31-40 age group: 30 per cent in 41-50 and 20 per cent in the 51-60 age range, whereas three per cent of the female was in the 31-40 range; 16 per cent between 41-50, and one per cent in the 51- 60 range.

Whilst the high rate of unemployment has been blamed on unsuitable skills in the structural changing economy, it is middle aged and the older individuals who have mainly been impacted by jobs losses, and who find being re-skilled for services a major challenge.

4.2. Level of Education

The research has tried to establish the level of education of the respondents and the results are shown in figure 2**.**

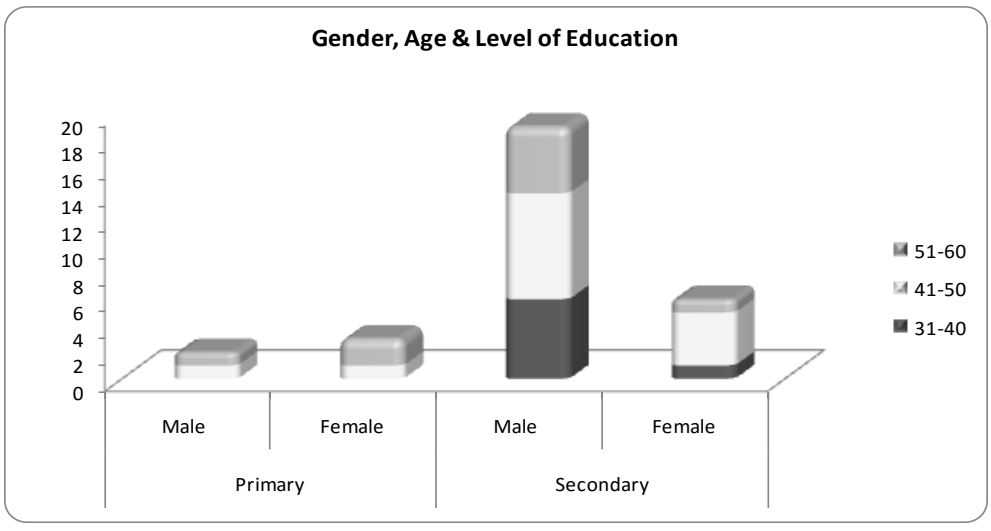


Figure 2. Level of Education by Age & Gender Distribution

Higher level of education is normally associated with better understanding of engagements and practices. Figure 2 indicates that of the respondents, none had education beyond secondary school, 16 per cent had only up to primary level, with 83 per cent of them having secondary level education. Six per cent of the respondents have primary level education were males. Three per cent were in the 41-50 age brackets, the other in the 51 -60 age brackets.

This factor highlights the skills plight of the economy, with none of the participants having tertiary education. Most of these elderly respondents had their youth at the height of the apartheid days where schooling was not a priority, and meaningful economic participation in townships was unheard of. The economic transition from manual primary sector activities was going to be arduous to deal with, with these set of skills.

4.3. Years and reason for being in this business

Figure 3 below reflects a graphical presentation of the age distribution for the different reasons of the origins of the businesses, reflecting this business either as a measure of surviving joblessness, or an alternative inspired by formal sector experience.

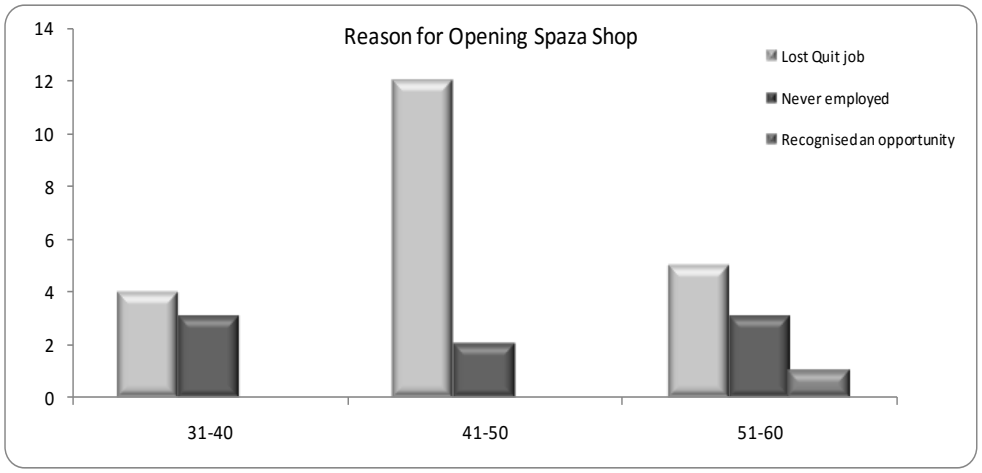


Figure 3. Reasons for Starting SME

On how long participants have been in business, 36 per cent have been operating *Spaza shops* for less than 3 years, with the rest of them having been in business for longer than 3 years. On reasons given for being in the business, 63 per cent has either lost or quit their jobs, with 40 of these respondents being in the 41-50 age range; 16 per cent in 51-60, while 13 per cent were in the 31-40 age bracket. 26 per cent of the participants, have never been employed. 56 per cent of those respondents that quit or lost their jobs are males, and none of the participants operate their *Spaza shops* to earn extra income, meaning none of the respondents has a full time job or any other source of main income.

Notable is that 63% of the *SME* owners once had a job, and had to come up with something to survive.

4.4. Information Management

This section was aimed at assessing the general management of these businesses, to determine if their services are communicated to the market; to detect if and how information is recorded; whether trends are noticed and the expectation on business prospects going forward. This data is required to reveal the extents of keeping the basic principles of keeping a sound business, and determine flaws that could hinder the flow of information required to develop *Spaza shops*.

- **Information recording**

The respondents were asked to disclose if business information is recorded and/or stored, and if it, whether it is in files or through a computer. The data sought was aimed identifying management methods and capabilities, on which the businesses are operated, and could improve to build efficiencies for the future.

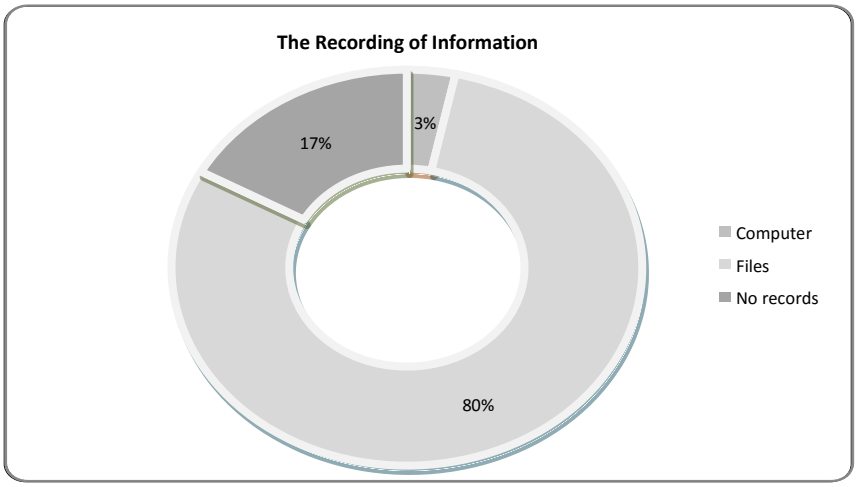


Figure 5. How Business Information is recorded

As illustrated in *Figure 5* above, 3 per cent of the respondent indicated that they record information using a computer. These respondents have been in business over 3 years after they lost their jobs. 17 per cent of the respondents disclosed that they do not record their business information or transactions at all; while 80 per cent of the respondents said they use files to store information.

- **Business trends**

Respondents were asked to disclose how the business has done in the past two years, choosing whether the business has improved; remained the same or got worse.

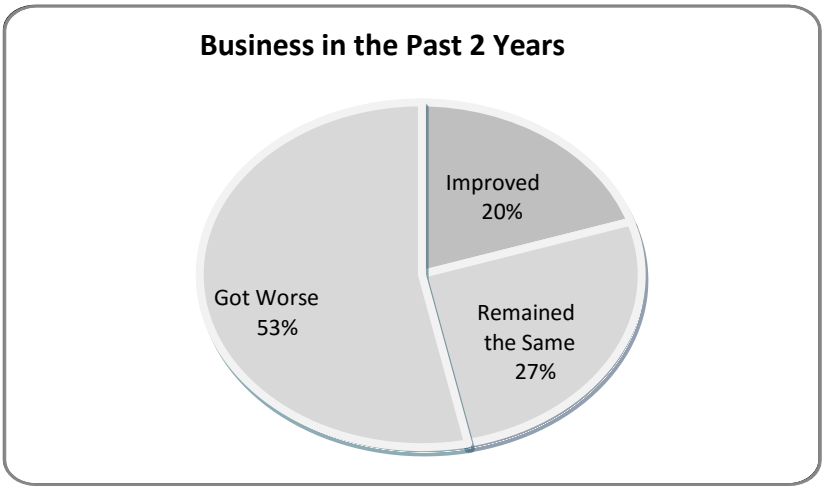


Figure 6. How Business Fared in the Past 2 Years

The following findings are presented in the Figure 6 above, 53% of the respondents believed business got worse, and 27 per cent said it remained the same, while 20 per cent stated that business has

improved. Of those saying business improved, 16 per cent are in the 31-40 age bracket, while three per cent is in the 51-60 bracket.

Of the respondents who have secondary education, 15 per cent have been in business for less than 3 years, while 10 per cent have been in business for over 3 years. Those respondents who believe that the business got worse includes 16 per cent of the respondents that is not recording business information.

The respondents were also asked what their expectations of the immediate future business prospects are, having to choose from much better; same as it's been; looks bad; and don't know. Interestingly, there's a balance mixture of optimism and pessimism, despite the difficulties and challenges indentified by the *SME* owner, as reflected in Figure 7 below.

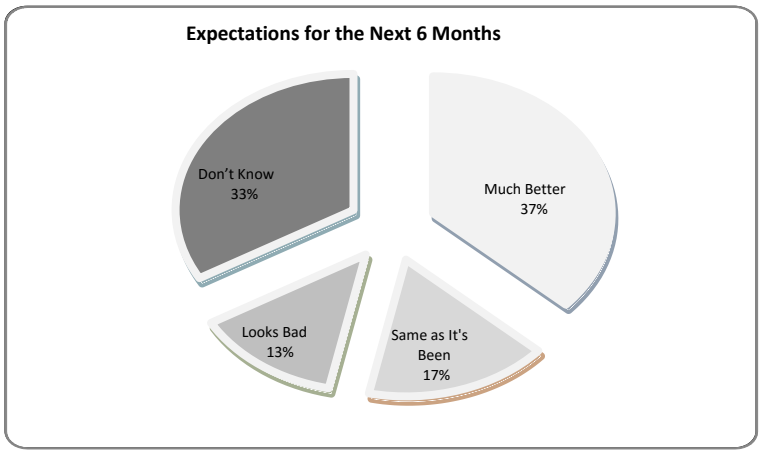


Figure 7. Short Term Business Prospects

13 per cent of the respondents said the future looks bad; 33 per cent said they don't know what the future holds; 17 per cent expects the business to remain as is; while 37 per cent said the way ahead looks much better. All respondents expecting things to get worse have also indicated that business got worse in the past two years.

4.5. Marketing products/services

The respondents were asked if they made efforts to market their products/services, and how often that happens, if at all.

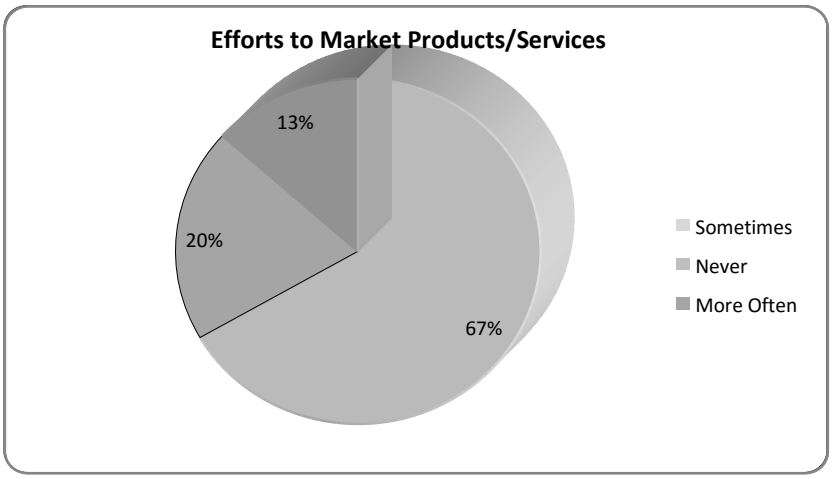


Figure 8. Marketing in the Neighbourhood

Figure 8 reflects the following findings:

- 20 per cent of the respondents said they never made efforts to market their products/services,
- 67 per cent indicated that they sometimes do made efforts to market their products/services,
- While 13 per cent said they often made efforts to market their products/services.

The data collected in this subsection reflects the management of information below the normal business standards wherein all the relevant activities and transactions are recorded, and from which the decision-making will be based. While most of these owners use files to store data which is manual, error prone, and inefficient; it is largely the most affordable and the easiest technology they can apply, in the context of the size and complexity of these entities.

Spaza shops are also challenged by the skills level of owners and financial resources, to apply technologies and techniques which would enable these outlets to develop and impact their neighbourhood. While the managerial and marketing skills of owners as a shortcoming could be overcome by hiring more skilled individuals to complement them, the respondents have highlighted the difficulty of a healthy and sustainable cash flow, and sourcing finance to expand their businesses.

These outlets are also not making enough money for the business to invest in any form of valuable asset. While most of the respondents (53%) believe things got worse in the past 2 years, most have not done much to counter the negative trend. Around 80% stated that business either remained the same or got worse in the past two years, yet 87% barely market their products and services in the neighbourhoods. The factor confirms the point highlighted by these participants that information and training to better run their businesses is highly required.

Despite the challenges, there was somewhat a level of optimism within the respondents with 37% hoping things will get better in the next six months. There is however, no evidence that these *SME* owners would be making any effort to improve their business conditions and prospects. A smaller portion (13%) of the respondents believe things are about to get worse, while 50% is shared between those who think business will remain the same (17%) and those who cannot tell what will happen (33%).

4.6. The impact of market related challenges on the business

The impact of market related on small business owners were measured in the questionnaire. Secondary research identified five market-related challenges, namely: Poor locality, ineffective marketing, and lack of market knowledge, low product demand and increased competition. The question tested whether any of the eight market-related issues had an impact on the respondent's businesses failure. The outcome of the survey findings is presented in figure 9.

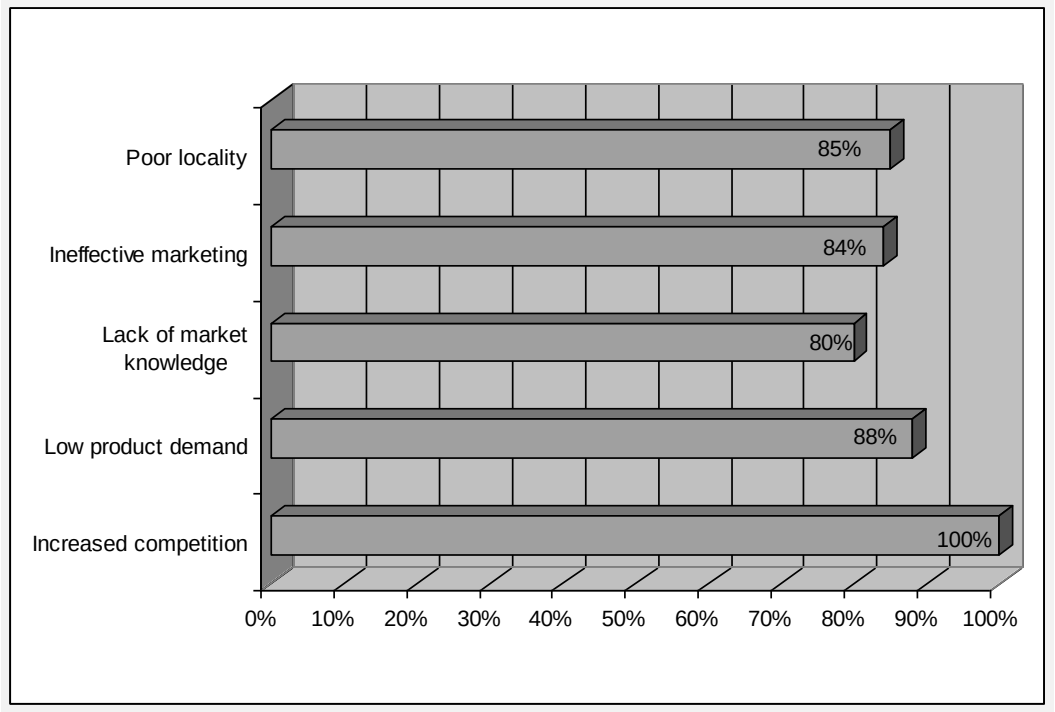


Figure 9. Impact of market related challenges on business

Figure 9 indicates that:

100 percent of the respondents experienced increased competition;

88 percent of the respondents complained of low demand of their products;

85 percent of the respondents complained of poor locality of their small business;

84 percent of the respondents complained of ineffective marketing their products; and

80 percent of the respondents experienced lack of market knowledge.

The respondents believed that the above-mentioned factors positively affected the success of business. Increased competition indirectly decreased the small business income, which could lead to business failure.

4.8. Factors contributing to small business failure

Factors contributing to failure of small businesses that were investigated in the survey included: the reasons why businesses failed and whether there is a relationship between lack of marketing skills and business failure.

- **Reasons why businesses failed**

The respondents gave the following examples of causes for business failure: lack of marketing skills and financial problems. 90 percent of the respondents were of the opinion that small businesses fail due to a lack of marketing skills. 70 percent of the respondents, whose first business initiative failed, blamed financial problems for the business failure. The results suggested that the lack of money for running costs or capital items is a widespread problem facing small businesses therefore there is no money left to market the business.

- **Relationship between lack of marketing skills and business failure**

The respondents were asked whether they believed that a positive relationship exists between lack of marketing skills of small business owners and business failure in South Africa.

The results are shown in figure 10.

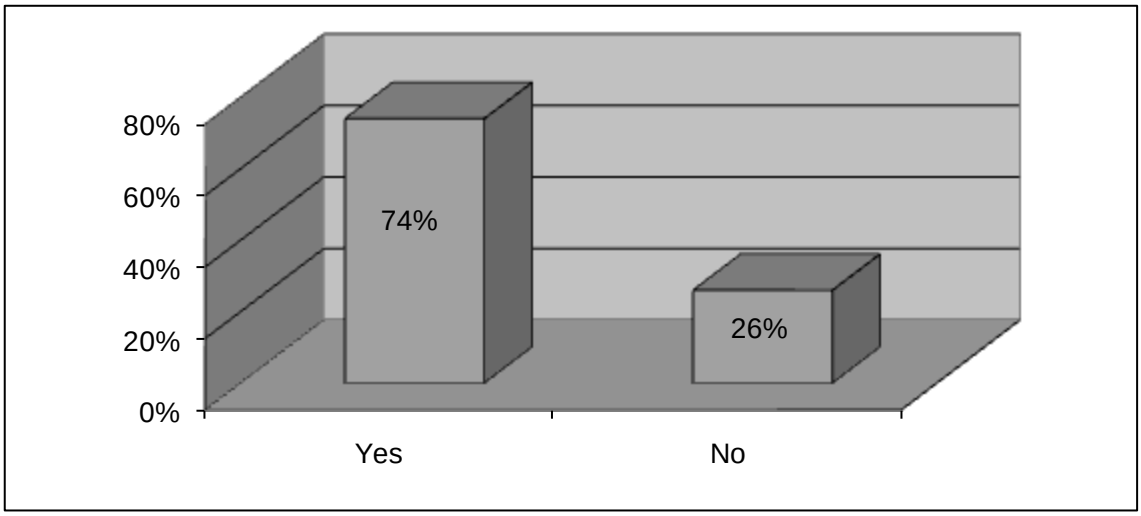


Figure 10. Relationship between lack of marketing skills and business failure

As indicated in figure 10, 74 percent of the respondents believed that a positive relationship exists between lack of marketing skills of small business owners and business failure in South Africa as appose to only 26 percent. Marketing skills in this paper refer to competition; low demand of products; poor locality of the small business; ineffective marketing of products; and lack of market knowledge.

The respondents believed that the above-mentioned factors positively affected the success of business. Increased competition indirectly decreased the small business income, which could lead to business failure.

4.9. Empirical Hypothesis testing

The aim of the research, as discussed was to investigate whether lack of marketing skills is the main cause of business failure. The main hypothesis formulated for this research is:

H_1 = There is a positive correlation between lack of marketing skills and business failure of Spaza shops.

Where

H_{01}: $\mu 1 \neq \mu 2$

H_{A1}: $\mu 1 = \mu 2$

The hypothesis will be empirically tested next.

Table 1. Pearson correlation between lack of marketing skills and business failure of Spaza shops

Data		Marketing skills	Total: Correlation between lack of marketing skills and business failure of Spaza shops.
Correlation between lack of marketing skills and business failure of Spaza shops.	Pearson Correlation	1	.044
	Sig. (2-tailed)	.	.368
	N	801	801

In analysing $H0_2$, the researchers conducted a Pearson Correlation test between the variables; consumer price knowledge and gender. From the results indicated in table 1, it shows that there is a significant relationship between the two as the p-value is 0.047 for both at a 0.05 significant level. When conducting the z-test, H02 was rejected therefore accepting Ha1. Therefore, by accepting Ha1, one may conclude that there is a positive correlation between lack of marketing skills and business failure of Spaza shops.

4.10. Marketing Challenges of Spaza shops

The respondents were asked to indicate the marketing challenges they experience in South Africa. The results are shown in figure 3.

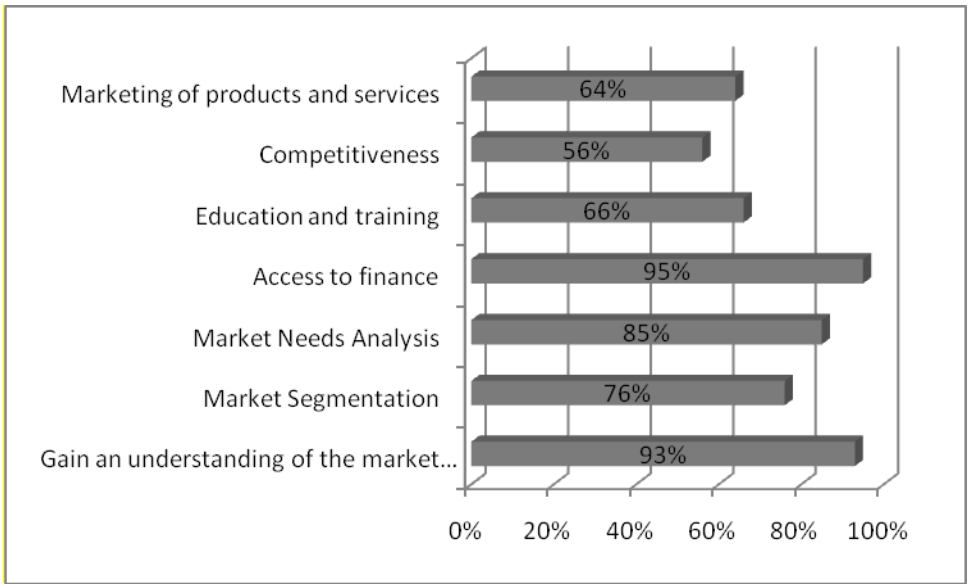


Figure 11. Marketing Challenges

Figure 11 indicates that the respondents experienced the following marketing challenges:

64% of the respondents experience marketing of products and services as a challenge

56% of the respondents consider competitiveness as a challenge;

66% of the respondents experience education and training as a challenge;

95% of the respondents experience access to finance as a challenge

85% of the respondents indicated to conduct a Market Needs Analysis as a challenge

76% of the respondents experience Market Segmentation as a challenge

93% of the respondents experience understanding of the market and potential for growth;

It seems that 'access to finance as a challenge' and 'understanding of the market and potential for growth are considered as the main marketing challenges for Spaza shops in South Africa.

The secondary aims of the research, as discussed was to investigate whether lack of marketing skills such as competition; low demand of products; poor locality of the small business; ineffective marketing of products and lack of market knowledge cause business failure in South Africa. The following five secondary hypotheses were formulated:

H2 = There is a positive correlation between competition and business failure of Spaza shops.

H3 = There is a positive correlation between low demand of their products and business failure of Spaza shops.

H4 = There is a positive correlation between poor locality of their small business and business failure of Spaza shops.

H5 = There is a positive correlation between ineffective marketing their products and business failure of Spaza shops.

H6 = There is a positive correlation between lack of market knowledge and business failure of Spaza shops.

The hypotheses will be empirical tested next using Cronbach's coefficient alpha and Pearson Correlation analysis. Cronbach's coefficient alpha is probably the most commonly reported measure of reliability. The alpha is a measure of the internal consistency of a composite or summated scale. Statistically spoken, a Cronbach value of between 0.6 and 0.8 is of an acceptable level (the internal consistency is adequate) and a value of between 0.8 and 1.0 is considered good. Kent (2008) recommends that the minimally acceptable reliability for preliminary research should be in the range of 0.5 to 0.6. Table 2 indicates the results of the research.

N		Factors	Cronbach's Alpha Coefficient values
801	F1	Competition	0.892
801	F2	Low demand of their products	0.685
801	F3	Poor locality of their small business	0.823
801	F4	Ineffective marketing their products	0.945
801	F5	Lack of market knowledge.	0.963
801		Overall (all factors)	0.855

Table 2. Cronbach's Alpha Coefficient

Table 2 indicates the Cronbach's Alpha Coefficient values. The alpha is a measure of the internal consistency of a composite or summated scale. Statistically spoken, a Cronbach value of between 0.8 and 1.0 is considered good. Table 2 shows that H2 to H6 have values above 0.8 therefore the values are good.

4.11. Correlations between the Factors

Correlation is a measure of linear association between 2 variables. A correlation coefficient of 1 indicates perfect correlation, and a correlation coefficient of 0 indicates a total lack of any linear association.

Data		
Correlation between competition and business failure of Spaza shops.	Pearson Correlation	.047
	Sig. (2-tailed)	.348
Data		
Correlation between low demand of their products and business failure of Spaza shops	Pearson Correlation	.048
	Sig. (2-tailed)	.356
	N	801
Data		
Correlation between poor locality of their small business and business failure of Spaza shops	Pearson Correlation	.045
	Sig. (2-tailed)	.335
	N	801
Data		
Correlation between ineffective marketing their products and business failure of Spaza shops	Pearson Correlation	.0443
	Sig. (2-tailed)	.345
	N	801
Data		
Correlation between lack of market knowledge and business failure of Spaza shops.	Pearson Correlation	.043
	Sig. (2-tailed)	.326
	N	801

Table 3. Pearson Correlation test between the variables

In analysing $H0_{2\ -06,}$ the researchers conducted a Pearson Correlation test between the variables; consumer price knowledge and gender. From the results indicated in table 3, it shows that there is a significant relationship between the variables as the p-value is 0.047 for both at a 0.05 significant level. When conducting the z-test, H02 -06 was rejected therefore accepting Ha2 –a6. Therefore, by accepting Ha1, one may conclude that there is a significant correlation between competition; low demand of their products; poor locality of their small business; lack of market knowledge; ineffective marketing their products and business failure of Spaza shops.

4.12. Measurements of successful Spaza shops

The success of Spaza shops can be measured with the following measures:

1. Profitability is probably the first thing people think about when measuring success.
2. Growing customer base is a sure sign that the SME is effectively reaching target markets.
3. Customer satisfaction is an indication that the SME understands the needs of customers.
4. Employee satisfaction is another key indicator of business success.
5. Owner satisfaction.

In the questionnaire the respondents were asked to rate the different measurement criteria in order of importance. The result is shown in figure 12.

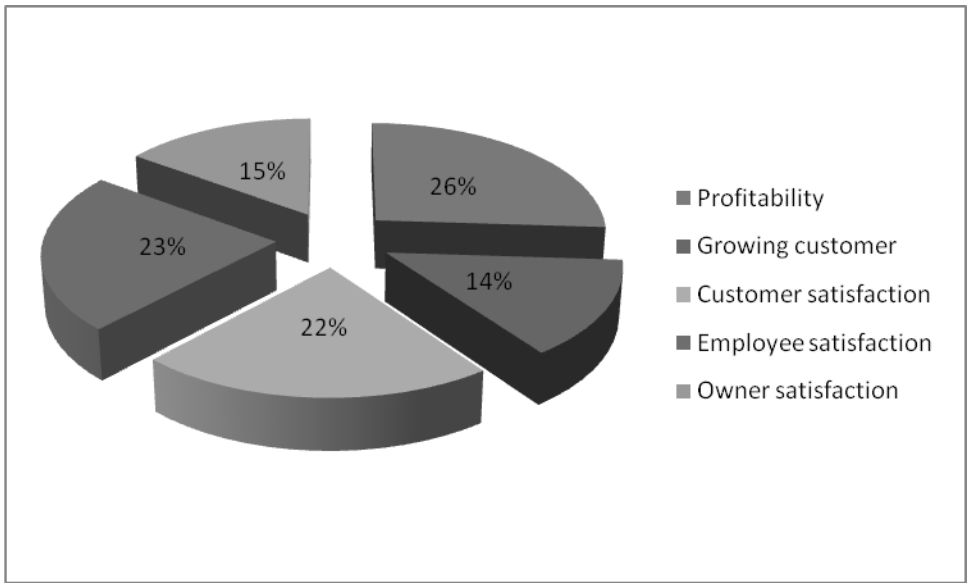


Figure 12. Measurement criteria

As indicated in figure 12, 26 percent of the respondents consider profitability as the most important measuring criteria for the success of a small business. Growing customer is indicated as the least important measuring criteria for the success of a small business. While 22 percent of the respondents consider customer satisfaction; 23 percent of the respondents consider employee satisfaction and 15 percent of the respondents consider owner satisfaction measuring criteria for the success of a small business.

5. RECOMMENDATIONS

Empowerment should encompass a deliberate shift in the current power structure, recognising the structural conditions that keep the poor in the position in their position and making a conscious effort to reverse the situation. The ineffectual low productivity conditions under which Spaza shops operate are evident, with persistent problems that have never been addressed over the years. If functional support structures were in place to increase economic capacity, the research indicated that there is no shortage of entrepreneurs or people willing to start business activities in Africa, even if it were small one-person operations. Policies and strategies have already been designed from national government across to local municipalities, with the implementation that has not been evident at the front end.

Spaza shops contribute significantly to job creation, social stability and economic welfare and therefore it is important that marketing skills and business knowledge are developed with training marketing skills. The marketing challenges of Spaza shops will then be decreased and more Spaza shops will be successful. The study reflected on the prevalent hardships of the informal sector, and the perceptions of their position with regard to the goals of the government. Whilst both sides acknowledge the needs of the sector and role it can plays in improving the livelihoods of the inhabitants of South Africa, the partnership is yet to be formed and development is still a pipedream. The longer it takes for the affected individuals to get attention and assistance, the difficult it will be to motivate and revive the hope to those who lost it, and to get back on track to what is currently required

Improving managerial skills

Managerial skills are required to organise the physical and financial resources needed to run a business. It is emphasised that managerial skills and business knowledge are an indication of how well an entrepreneur can perform important tasks and activities related to the functions of a business. Government's involvement in managerial training focuses on basic literacy, numeracy and communication skills with a developmental rather than a business focus. Training should also focus on administration, financial management and marketing skills. Training should be more of a practical nature; less formal and classroom-based, and should also include follow-up practical courses. Small business owners would then also be more equipped to make better-informed decisions, and to steer their business away from known pitfalls.

What SME owners' lack

South Africa has too few people with small business managing qualities, leading to a situation where the South African economy performs poorly because only a few people succeed as small business owners. Deficiencies in the internal microenvironment are the major cause of small business failures. Cause for failure centres largely on the following: managerial skills, management behaviour and financial knowledge.

In an effort to promote participation of these businesses in exploiting economic opportunities, a support structure should be designed to address these shortcomings. Such support function should be as comprehensive as possible, including management and business skills training, financial support systems, assistance with the marketing of products and services, and counselling on running an own business.

How to address the problem

Educators in South Africa should be aware of the relative importance of problems, and discussions thereof should form an integral component of training or mentorship programmes. Educators should for instance have to give considerably more attention to problems arising from the macro or market environment than to problems arising from some of the internal and functional areas, with the exception of the financial function. The importance of environmental scanning and planning should likewise receive more attention in syllabi. The development of financial acumen and planning skills should also be seen as crucial elements to be offered. This study seems to indicate that the need for managerial training is the greatest among small business owners from previously disadvantaged communities. The research conducted confirmed that the lack of managerial skills of small business owners has a negative influence on the success rate of small businesses in South Africa.

In future the marketing training needs of South African small business owners could be explored. Training programmes in business management and entrepreneurship should endeavour to accommodate the training needs of Spaza shops. Addressing the various issues in general in training material is not sufficient. The contents should be focused on the specific problems experienced by

Spaza shops and allow for the practical application of concepts and procedures. This is the challenge for management and entrepreneurship training.

6. CONCLUSION

The purpose of the research was to investigate whether marketing skill challenges of spaza shops contribute to their high business failure rate in South Africa. The research has formulated six hypotheses to establish whether corrections between the different variables exist. The problem statement discussed the dilemma of the spaza shops. The research aimed to establish whether there is a positive correlation between lack of marketing skills and business failure of spaza shops.

In order for the researcher to identify whether all of the marketing skills challenges contribute to business failure the main hypothesis was divided in five secondary hypotheses. The research has established that there is a significant correlation between competitions; low demand of their products; poor locality of their small business; lack of market knowledge; ineffective marketing their products and business failure of spaza shops.

The research recommendations are based and link to the conclusions. From what has been established researching the spaza shops, the following are recommendations in improving business prospects of these entities:

- Encouraging joint operations by these entities in specific areas and zones. This will assist in the pooling together of skills and resources, reaching out to a bigger market, and with capacity to buy in bulks and negotiate discounts from suppliers.
- Formation of associations and representative bodies, which would focus on the needs and the plight of these business to deal with issues and work out long term goals of the sector.
- Through these joint ventures or associations, identify new or untapped products and services to diversify trading and increase margins.
- Approach sources of funds with pooled resources to enhance the chances of success and mitigate risk to creditors.
- Negotiate and design strategic links with local government for preferential supporting role for these businesses to the formal sector, e.g. feeding schemes at local schools, at sanctioned events in the township and on ongoing formal projects within and beyond the township.
- Focusing on marketing of services in community media, mirroring the Proudly South African initiative, endorse and start encouraging the support local businesses within the township
- In supporting these businesses, design tailor made business management workshops in the township on a regular basis and appoint appropriate and accountable organisations with specific outcome targets.
- Establish partnerships with industry and local government, for continuous monitoring, support, skills transfer, leadership and guidance.

The research concluded that spaza shop owners have so many challenges in their business those marketing skills challenges tend to overshadow the importance of marketing. Although the spaza shops owners do understand that they can grow profits through proper marketing, they lack the marketing skills to conduct marketing. The conclusion is that a positive correlation exists between marketing skills and business failure in South Africa. The conducted research also indicated that marketing in the spaza shops is the responsibility of the business owner. This means that the marketing concept that must be shared and lived by the entire business tends to be lacking which also causes business failure.

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