https://doi.org/10.48132/hdbr.364

The post-COVID-19 retail landscapes: Perceptions of Small and Medium Size Retailers in South Africa

Isaac Abe
Post-Doctoral fellow. Cape-Peninsula University of Technology. South Africa. ORCID: 0000-0003-1670-6801.

Virimai Mugobo
Senior Lecturer. Cape-Peninsula University of Technology. South Africa. ORCID: 0000-0002-0136-3343.

abeisaac3@gmail.com, mugobov@cput.ac.za.

Received: April 13, 2021.
Accepted: June 8, 2021.
Published: September 1, 2021.

Abstract
This paper offer insight to the substantial role of the small and medium retailers (S&M) and how Covid-19 has impacted the sector. The economic contribution of this group of retailers have been noted to be high. Policy measures of the government of South Africa in response to the pandemic was severe on the informal retailers who were stopped from operating their businesses. The paper highlighted the internal and external struggles and opportunities of the retailers. There is the need to revalue the sector according to its contribution to the society, assist the retailers to improve on their infrastructure, formalise their practises, embark on reform programmes aimed at improving their capacities.

Key words: small and medium retailers; Struggles; opportunities; informal sector.

How to cite this article
Abe, I., Mugobo, V. (2021). The post-COVID-19 retail landscapes: Perceptions of Small and Medium Size Retailers in South Africa. *Harvard Deusto Business Research*, Volume X(2), 337-345. https://doi.org/10.48132/hdbr.364.

1. Introduction

The spread of the coronavirus also known as the COVID-19 pandemic globally has significantly impacted on consumer behaviour, product demand, retail stores, factories, and logistics services. Initiatives to contain the spread of the pandemic have negatively impacted on the urban poor, vulnerable groups, female-headed households, child headed households, the homeless, migrants, refugees, the unemployed, informal sector employers/employees, and casual workers (Crush and Si, 2020).

Among the many groups affected by the pandemic in the informal sector of the South African economy are the small and medium retailers. Informal retail trade dominates the informal sector of the national economy and contributes highly to the informal sector output (Wegerif, 2020). Considering its notable economic contribution, the government of South Africa injected financial assistance to the sector to cushion the adverse effect of the COVID-19; pandemic on retail business, however, the support extended neither increased the growth nor sustained the survival rate of the entities in this sector (Shipalana & O'Riordan, 2020).

According to the pre-COVID-19 global retail forecasts for 2020, the estimated growth of the sector was not realised but was halved due to the unpredictable impact of the pandemic (Abi Younes, Ayoubi, Ballester, Cristelli, de Rassenfosse, Foray, Gaule, Pellegrino. Heuvel, Webster and Zhou, 2020). For instance, at the insurgence of the pandemic and its associated conventions, consumers forego discretionary purchases in favour of survival items like stocking food and household goods (Hand, 2020). This tide favoured grocers whom the government categorized as essential retailers, though they experienced significant increase in their operational cost (Hand, 2020).

As the unexpected pandemic disrupted the way retail business was conducted as well as the consumer behaviour, it underpinned a mixed effect among retailers. The heterogenous effect unearthed three distinct features in the retail sector namely:

1. Only retail businesses that were categorised as essential providers were permitted to operate during the lockdown.
2. Retailers whose operations were solely on contact (face-to-face) basis were more adversely affected while those who operated virtually were less affected.
3. Although all the retailers seemed to be equally capable of running their businesses, some were more capable of coping with adverse situations and transiting to novel operating techniques than others (OECD, 2020)

These revealed scenarios have resulted into different liquidity positions that left many retailers struggling while others are thriving. Forward thinking retailers are answering the call to prepare for the omni-channel shopper and respond adequately to the shift in demand (Del Rio, & Malani, 2020). The omni-channel shopper is a multichannel method to sales that focuses on offering smooth customer experience virtually and /or offline using mobile devices or computers. Therefore, examining the perceptions of the small and medium retail operators about the effect of the pandemic on their operations in the pandemic era is imperative (Jere, Jere & Aspeling, 2015). The aim of this paper is to ascertain participants position with respect to the identified scenarios, internal struggles and opportunities, and outward struggles and opportunities, as they experienced during the pandemic. The paper is an extract from an empirical study being conducted.

Harvard Deusto Business Research. Volume X. Issue 2. Pages 337-345. ISSN: 2254-6235

2. Literature

Globally, in last few months there has been unprecedented, unexpected, uncertain, and complex change in the retail sector. The change was accelerated by the wake of Coronavirus Pandemic, that has left many retailers struggling to survive and others are thriving. The effect of the COVID-19 on retail businesses have been labelled with three distinct features: Firstly, by the COVID-19 conventions which include social distancing measures, Government postulated that only retail businesses which are deemed essential can operate. Those retailers whose businesses were viewed to be non-essential were shut down. More so, the essential retailers regularly operate under difficult conditions e.g., shortage in labour supply, disruptions in supply chains demand and working conditions. While the sales of clothing retailers and non-food items dropped highly, the sales of food, beverages and tobacco retail items increased in 2020. Secondly, the psycho-social measures impacted retailers with physical stores more than the online retailers. This may eventually facilitate the shift ongoing from brick-and mortar retailing to online retailing. For example, in France and United Kingdom, the market share of e-commerce has rapidly increased, and the retail expenses spent on online products is high (Del-Rio-Chanona et al, 2020). Thirdly, retail businesses co-exist simultaneously with differing crisis coping abilities. This effect is likely to be unequal due to the weight of the crisis on the brick-and mortar and small retailers, while the online and large retailers are more likely to survive. In the informal sector where the S&M retailers are a majority, the impact of the pandemic are not parallel due to the little capacity to withstand crisis. This paper will now consider the nature of the small and medium retailers, their struggles, and opportunities.

3. Nature of small and medium retailers

Strategies to contain the spread of COVID-19 have been exceptionally hard on the urban poor, vulnerable groups, female-headed households, child headed households, the homeless, migrants, refugees, the unemployed, informal sector employers/employees, casual workers (Crush and Si, 2020). Among the many groups affected by the pandemic, are the small and medium retailers in the informal sector of the South African economy. Informal retail trade dominates the informal sector and contributes highly to the informal sector output (Wegerif, 2020). According to Jane Barrett, *''it is important to note that own-account workers (i.e., owners of one-person enterprises – a subset of self-employed individuals) make up a large portion of the informal sector – approximately 50 percent of informal sector workers and 80 percent of informal firm owners in South Africa. This distinction is important because own-account workers require different strategies of support than better-resourced informal firms"* (Barrett 2021). Wegerif, (2020) documented that the government along with the private sector does not understand how the informal sector function, how then can they offer solutions to the sector?

The Small and Medium (S&M) retailers perform the traditional role of supply of goods and services and generating employment. The S& M retailers also provide variety of colour and choice in a sector that is standardized structurally…. Retail businesses are also socially responsible to the community they offer services to. They provide a sense of location by

Harvard Deusto Business Research. Volume X. Issue 2. Pages 337-345. ISSN: 2254-6235

identifying culturally and socially with the community infrastructures. That explains why they are not isolated or excluded by the community members from where they operate (Jere, Jere & Aspeling, 2015). The informal retail traders have become recognised by government in Poland, because not all consumers can afford to shop at the location of the formal retail shops. For example, low-income households, the aged and the non-mobile consumers may not be advantaged to shop at the big retail centres. The informal retailers are contributors to meeting the needs of their customers through personal relationships and preserving the community. In many locations it may be the only provider of specialised goods and /or services and where local purchases can be made. Their role therefore goes beyond buying and selling to being part of the community with a sense of belonging. The viability of a retail business depends on the opportunities and struggles of the operator whose environment is highly competitive (Wereda & Wozniak, 2019).

4. Opportunities of the S&M retailers

According Willemse, (2011), the following successes were documented on the S&M retailers. They provide goods and services to customers, they have flexibility that is relative to big business, practise of collective bargaining or unionisation, depend on social networks for informal financing, opportunities abound to provide for self and family, the development of retailing skills and confidence, have partial access to additional income, and limited use of start-up capital (Williamse, 2011). The Department of Business Innovation and skills United Kingdom (2013) contributed to the literature from the growth perspective, by alluding that internal capacity and capability to grow is responsible for business success of the S&M retailer. Adding that external environment including the market may also be contributory. Importantly, the vision of the business owners regarding growth and development is fundamental (Department of Business, Innovation, and skills U.K.2013)

The success of the sector is a function of the compelling values the retailer is offering. Grewal, Chandrashekaran, & Citrin, (2010) documented that retailers must manage six levers of retail opportunities, these are store, supply chain, technology, services, merchandise, and price. Stores offer important opportunities from the customer point of view. It speaks to the retail format and externalities of the business to the outsider. Stores are an important opportunity to the success of retailing because it is concerned with the overall experience of the customer and considers the functional benefits offered by the physical location. Services are key drivers of the retail success, in a competitive environment where differences matter. Services offer convenience to the customer with the facilitation of customer decision, access, transaction, benefits, and post benefit convenience. Merchandising management is finding stocking goods that best meets the target customer's needs and ensuring the adequacy of the same anytime and anywhere. Price is fundamental to retail opportunities in that it measures services and offerings with value. Important to price are monetary price, time, customer, and the effort the customer foregoes to acquire product. Managing supply chain is ensuring the effective and efficient combination of manufacturers, suppliers, transportation, warehouses, and stores input into retail business. The technology factor is a contributor to the success especially when appropriately applied to the supply chain at any level. Retailers that apply technology are more likely to do well (Grewal et al 2010). These success opportunities are operational until the disruption of COVID-19. The viability of these factors for survival of the crisis of the pandemic by the sector has remained questionable. During the pandemic, successful retailers have used technology as a tool to drive all other factors in order to be successful.

In South Africa, successful large retail chains have adopted the use of these six levers as model to run their retail store layout. However, in the phase of the pandemic, can these opportunities guarantee success?

5. Struggles of S&M retailers

Previous studies wrote extensively on the challenges of the S&M retailers. Cant and Ligthelm, (2002) outlined five broad factors that affect the S&M retailers. One, Marketing related factors like: increase in competition, limited market size, in effective marketing, lack of knowledge of competitors and poor location. Two, Financial factors are: problems in sourcing finance, high operating expenses, consumer credit management, poor cash flow management, and lack of financial planning. Three, Human resource factors: new labour laws, inability to attract and retain suitable staff, low labour productivity, poorly trained employees and high labour turnover. Four, Management factors: adapting to changing business environment, time management, delegation, and co-operative management, planning and prioritizing, and effective control. Five, Macro-environment factors: crime and corruption, inflation, unemployment, interest rates, and exchange rates (Cant & Ligthelm, 2002).

Cost control, Innovation, value, and consolidation are among the many challenges that S &M retailers face. To sustain the retail business, value is of dominant importance. To measure success in retailing, the retailers have relentlessly relied on providing better value than their competitors. More-so, those serving the low-income consumers and informal retailers. The retailers keep innovating to increase customer service and patronage. They are kept on their toes to find ways of maximising customer shopping experience. For example, many small retailers must employ the use of constant discount and quantity discount to maintain competitive advantage and improve on customer experience. The retailers serving low- income consumers always struggle with the need to effectively manage their value chains to reduce systems costs on one hand, meet the customers service and pricing on the other hand. Finding the balance has been a Hercules hill for many small retailers (Bolton & Shankar, 2018).

Studies have documented that high crime rates, inadequate business/management training, inadequate urban infrastructure, dissenting voices among stakeholders, distrust, and cynicism towards local authorities, fast changing consumer behaviour are cited as challenges faced by S&M retailers (Murithi, 2017; Mahadea & Zogli,2018; Boatemaa, Barney, Drimie, harper, Korsten, Pereira, 2019). Many S& M retailers are confronted with continuous competition which results in market concentration. By high level of market concentration, we mean a fractional number of retailers with better access and resources have formed a chain in the retail sector. These enjoy economies of scale and compete favourably together. This trend is a threat of the survival of

Harvard Deusto Business Research. Volume X. Issue 2. Pages 337-345. ISSN: 2254-6235

S&M retailers. The threat is intensified when large retailers diversify into niches that are exclusively for the small retailers. Elsewhere, these large retailers have ventured into long hours of operations, thereby, rendering the small neighbourhood retailers redundant. In United States, one third of new retailers hardly survive the first year of operation, most casualties are retailers in the central business district crowding out with the large retail outfits (Howe, 1992). Same is recorded in the United Kingdom, particularly to “mom and pop” stores (Coca-Stefaniak et al 2010). Mom and pop store is a colloquial term used to describe a small family-owned business.

Supply chain and logistics struggles of the S&M retail are associated with the distributor minimum order sizes that exceed the S&M retail inventory. When the inventory level increase, operating cost is higher, meaning that the S&M retailer cannot compete favourably in comparison to the larger retailers. This weakness points to the limited financial resources and small working capital expenditure available to the S&M retailers. Even if the S&M retailers have the necessary skills to manage business, limited resources are equal to inability to compete and make succession plan.

In the emerging markets, the major setbacks identified are lack of financial support, infrastructure, training, management experience, coupled with corruption and inadequate accounting record (Okpara, & Wynn, 2007). In India, a study conducted on the barriers of the S&M retailers revealed that working capital, power shortages, equipment and managerial skills are the major struggles of the S&M retailers (Coad & Tamvada, 2012). In England, a study documented that financial difficulties (lack of investments in emerging businesses) inadequate support, and unwillingness to acknowledge the challenges of S&M retailers, rigidity of financial institutions and large organizations.

6. Impact of Covid-19 on S&M Retailers and their customers.

In South Africa, a national lockdown was announced by the national government on the 23rd of March 2020, the lockdown was effective midnight 26th of the same month. All people except essential service workers including those in retailing, were to stay at home. The government deployed the Soldiers and police forces to enforce the announcement. The announcement also emphasised that only retailers that deal with essential goods like food supply are permitted to operate. Earlier a state of disaster had been declared due to the growing awareness of the spread of Covid-19 pandemic. Though food was declared an essential service, informal retailers like food traders, street traders, hawkers, spaza shop owners, etc were prevented from operating their businesses thereby lost all income. Fresh produce traders lost the stocks that were not sold or eaten. Even the big retailers in fashion and clothing were adversely affected. Poverty and hunger became immediate challenges. Since lockdown, many businesses have not been able to break-even, while the weak ones have closed business permanently. In the bid to prevent the spread of the pandemic, psychosocial measures and policies adopted by the government created uneven result to the S& M retailers who depend on sales for income.

The government under the Disaster Management Act 2002 (Act No57) announced in terms of regulations, that spaza shops could operate, but that they must obtain permits. The situation was

Harvard Deusto Business Research. Volume X. Issue 2. Pages 337-345. ISSN: 2254-6235

complicated when a government Minister implied that only South African owned shops would be allowed to open business. That heightened confusion among security forces who used the occasion to extort from shop owners who are non-citizens (Sizani, 2020). A further amendment to the earlier regulations by the national government was made in April 2020 (Government notices No R.419). Informal retailers were permitted to operate, but with due permission from a municipal authority. Many S& M retailers obtain permits while others were left confused as the municipality had no permitting system. Major problem with the municipalities was identifying the small retailers who had shops before the lockdown. Despite the possession of permits S& M retailers were arrested and harassed by the security forces.as reported (Wegerif, 2020).

During the first two months of the lock-down it was document in a study that household running cost increased by 8 %. From March 2019 to May 2020, 13% increase was recorded on fresh food retail items. Onion increased by 58%, Cabbage by 22%. (PMBEJD, 2020b). one reason given for the increase was the absence of small retailers on the streets where the traders would buy the items at cheaper prices and benefit from other services (PMBEJD, 2020a). Therefore, the S&M retailers serve as a bridge to their respective customers and assist them in keeping the household cost at affordable level.

As the pandemic hit the farmers, and the farm workers due to loss of demand, decline in sales, so also is the ripple effect on the S& M retailers who were not allowed to transport themselves to the farmers. The cycle of hunger and poverty was created by the pandemic for the small capital-oriented retailer.

7. Conclusions

Modern retailing has accorded much recognition to the corporate owned supermarkets and their supply chains as being more desirable and hygienic. During the Covid-19 conventions and restrictions retail customers will still need to purchase essential goods, which means some risk, but that does not imply that the supermarkets are the safest option. However, it means that a wide range of new hygienic measures will have to be introduced to avoid transmission of the pandemic (Evan 2020). Therefore, the need for government to assist street traders and local spaza shops to create a safe environment that offers advantage to the S&M retailer (WIEGO, 2020).

Poor infrastructure, lack of water, sanitation and shelter has been viewed as obstacles to an hygienic environment. Some lack of investment in facilities is a reason for the devaluing of the retailing done by the small outfits. Investment in supportive infrastructure on a long-term basis is part of the effort needed to sustain the S&M retailers. For example, in Nanjing China, a town planning policy implemented was called “Crawling Peg”. It is the reservation of space for public markets and small-scale local fresh produce (Zhang, Si, Crush, Scott, and Huang, 2019).

Formalization of the S&M retail sector is a critical way of strengthening the informal sector. A shift in the narrative of these owner-operated businesses requires more research to unpack the way the stakeholders organise themselves, so they could be better supported to build on the present practices. By formalization of the sector a firm can operate within the broader legal

Harvard Deusto Business Research. Volume X. Issue 2. Pages 337-345. ISSN: 2254-6235

framework of the country. When an enterprise is tagged informal, it speaks to the insignificance attached to the sector. Therefore, a change of language is needed including moving away from the concept of informal to formal. This results in simple interventions that is aimed at formalising the sector alongside the large corporations.

The conglomerate of S&M retailers is shop owners, street traders, and hawkers who operate their businesses together. According to Wagerif, (2020), "*core characteristics need to be built that are central to the positive contribution of these S& M retailers to the local communities*". In terms of capital and bureaucratic requirements to operate these businesses should be easy and without barriers. The interdependence of their business nature should reflect on all aspects of their operations.

The crisis experienced by this sector during the Covid-19 confirmed the importance of the retailers, highlighted the vulnerability of these businesses and the need to create social safety net as a strategic response to the needs of the retailers in this sector. More needs to be done for the sector to allow the stakeholders to reach their full potentials in terms of readiness for crisis and normalcy. There is the need to balance efforts in supporting the sector, in a way not to undermine the mode of operation but to focus on their positive economic and social impacts.

Towards rebuilding the of the economy severely exacerbated by the pandemic. South Africans needs to embrace a comprehensive reform programme to build the kind of economy that will thrive as a country. It will be perverse to use the limited state capacity to shut down and erect barriers that stand against entrepreneurial progress in the former or informal sectors.

8. References

Abi Younes, G., Ayoubi, C., Ballester, O., Cristelli, G., de Rassenfosse, G., Foray, D., Gaulé, P., Pellegrino, G., van den Heuvel, M., Webster, E., & Zhou, L. (2020). COVID-19: Insights from innovation economists. *Science and Public Policy*. Retrieved from: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7337780. [Accessed 11 March 2021].

Barrett, J. (2020) South Africa's informal sector in the time of COVID-19. Priorities for mass employment and inclusion. Retrieved from: https://cisp.cachefly.net/assets/articles/attachments/83152_south-africas-informal-sector-in-the-time-of-covid-19.pdf. (Centre for Development Enterprise).

Boatemaa, S., Barney, M., Drimie, S., Harper, J., Korsten, L., & Pereira, L. (2019). Awakening from the listeriosis crisis: Food safety challenges, practices, and governance in the food retail sector in South Africa. *Food Control*, *104*, 333-342.

Bolton, R. N., & Shankar, V. (2018). Emerging retailer pricing trends and practices. In *Handbook of research on retailing*. Edward Elgar Publishing.

Crush, J., & Si, Z. (2020). COVID-19 containment and food security in the Global South. *Journal of Agriculture, Food Systems, and Community Development*, 9(4), 1-3.

Del Rio, C., & Malani, P. N. (2020). COVID-19—new insights on a rapidly changing epidemic. *Jama*, 323(14), 1339-1340.

Grewal, R., Chandrashekaran, M., & Citrin, A. V. (2010). Customer satisfaction heterogeneity and shareholder value. *Journal of Marketing Research*, *47*(4), 612-626.

Hand, L. (2020) Covid-19 Retail Industry impact, GVP, Retail Hospitality and Financial insights. IDC Tech Buyer Presentation. Retrieved from: https://www.idc.com/getdoc.jsp?containerId=US46171420. [Accessed 11 March 2021].

Howe, S. (1992), *Retailing Management*, London: Springer.

Jere, M., Jere, A., & Aspeling, J. (2015). A study of small, medium, and micro-sized enterprise (smme) business owner and stakeholder perceptions of barriers and enablers in the South African retail sector. *Journal of Governance and Regulation,* 4(4).

Mahadea, D., & Zogli, L. K. J. (2018). Constraints to growth in informal sector activities and formalisation: A case study of Ghanaian slums. *The Southern African Journal of Entrepreneurship and Small Business Management*, 10(1), 1-9.

Muriithi, S. (2017). African small and medium enterprises (SMEs) contributions, challenges, and solutions. *European journal of research and reflection in management science*, 5(1), 36-48.

Organisation of Economic Co-operation and Development (OECD). (2020) The importance and specificities of the retail sector: Covid-19 and the retail sector. Impact and policy responses. Retrieved from: https://www.oecd.org/coronavirus/policy-responses/covid-19-and-the-retail-sector-impact-and-policy-responses-371d7599/. [Accessed 11 March 2021].

Shipalana, P., & O' Riordan, A. (2020). Impact of Covid-19 on Financial Stability in Africa. African perspectives global insights. Occasional paper 311. *South African Institute of International Affairs*.

Wegerif, M. C. (2020). Informal" food traders and food security: experiences from the Covid-19 response in South Africa. *Food Security*, 12(4), 797-800.

Wereda, W., & Woźniak, J. (2019). Building relationships with customer 4.0 in the era of marketing 4.0: the case study of innovative enterprises in Poland. *Social Sciences*, 8(6), 177.

Zhong, T., Si, Z., Crush, J., Scott, S., & Huang, X. (2019). Achieving urban food security through a hybrid public-private food provisioning system: the case of Nanjing, China. *Food Security*, 11(5), 1071-1086.

Harvard Deusto Business Research. Volume X. Issue 2. Pages 337-345. ISSN: 2254-6235