Competitive advantage of independent small businesses in Soweto

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A B S T R A C T

Small businesses in Soweto face increasing competition from large retail chains located in shopping malls. In order to survive and grow, small business owners need to identify and focus on the competitive advantage they have over competing businesses. The aim of this article is to explore the various sources of a competitive advantage, focusing specifically on differentiation and a unique value package as a market strategy to ensure competitiveness and sustainability for formal independent small businesses in Soweto. In this study, it was found that sustainable businesses (older small businesses with a growing income tendency) tend to perform a competitor analysis regularly. It was further determined that sustainable businesses regard price, shopping hours, personal attention and close relationships as important differentiating elements. They also include product quality, best brands and variety as important elements of their value package. It was found that sustainable small businesses use the elements of their value packages better than stagnating or shrinking businesses. The conclusion can be reached that sustainable formal independent small businesses stay competitive by differentiating themselves on the elements of the unique value package they offer to customers.

Key words: competitive advantage, competitive strategies, differentiation, wholesalers, retailers, small business, Soweto, sustainability, product value, formal small business

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Background

Small businesses worldwide are perceived as being important for the income, growth and prosperity of individuals, the community and the economy (Katz & Green 2012: 14). Even though the South African government indicates a willingness to prioritise the stimulation of entrepreneurship through various policies and programmes, unemployment figures and several world reports show that they are not doing enough. For example, the Global Entrepreneurship Monitor Survey reports on South Africa's below-average entrepreneurial and small-business activity (WEF 2012). The World Bank (2013) ranks South Africa 39th out of 185 economies in terms of the ease of doing business in the country. The Global Competitiveness Report 2012–2013 (WEF 2013) ranks South 52nd out of 144 countries. The South African situation is therefore not as good as it should be if some form of positive relationship can be assumed between entrepreneurship, and economic growth and employment creation.

During the post-apartheid reconstruction after 1994, the new government prioritised the development of black-owned businesses as part of developing the South African small business economy (Rogerson & Rogerson 1997: 33). In terms of small business success in South African townships, Brink, Cant and Ligthelm (2003) found that these township small businesses experienced problems with low demand, insufficient knowledge of their competitors and new competitors entering the market. Their research found that small business owners seldom, if ever, conducted marketing research on either their competitors or the needs of their customers.

The Soweto Township is the largest township in South Africa and is an amalgamation of several different townships. As an integral unit of the city of Johannesburg, Soweto was incorporated into the Greater Johannesburg Metropolitan area in 2001. The fact that almost 43 per cent of the population of the City of Johannesburg lived in Soweto in 2004, as highlighted by Ligthelm (2008: 37) and Grant (2010: 600), indicates the substantial part this township forms of Johannesburg. The priority of the City of Johannesburg to fully integrate Soweto and to stimulate economic activity led to the Soweto Retail Strategy in 2005 (as part of the Soweto Development Initiative) and the Township Development Programme for Soweto in 2008, among others. Between 2005 and 2007, as part of the Soweto Township Development Programme, four large new shopping malls were developed in Soweto (Grant 2010: 601; Zondi 2011: 4). The development of the Soweto Township could be attributed to this township always having been viewed as a leading city where innovative approaches are actively followed and the fact that Soweto is a retail trendsetter among large townships in South Africa (Nkosi, Bounds & Goldman 2013: 4; Strydom 2011: 169). Since the shopping malls house the most well-known national retail chains in South Africa, it is obvious that small businesses in Soweto now have

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to compete with retail chains too. The question that could be asked is, 'How do small businesses in Soweto compete and survive against strong competition?'

Literature review

The biggest challenge faced by small businesses worldwide is competition (Scarborough 2011: 99). In order to survive, small business owners need to identify the competitive advantage they have over competing businesses. Identifying the sources of a competitive advantage is based on a thorough knowledge of the market environment, including customers and competitors, which can be obtained by performing a competitive analysis (of customers and competitors) regularly.

This article explores the competitiveness of independent small retailers and wholesalers in Soweto by means of a literature study and a survey. The various sources of competitive advantage are investigated, with a particular focus on differentiation and a unique value package as a market strategy to ensure competitiveness and sustainability.

Competitive advantage

Success in a small business relies on numerous factors of which the following seem to be the most important: identifying a competitive advantage, remaining flexible and innovative, cultivating a close relationship with customers and striving for quality (Hatten 2012: 11).

A *competitive advantage* refers to that differentiating factor that drives customers to buy from a specific business rather than from their competitors. The key to business success, however, is to develop a unique competitive advantage that creates value for customers and is difficult to duplicate (Scarborough 2011: 89). The competitive advantage of a business can be regarded as the "unique and better way in which a profitable opportunity can be identified and sustained through creative and continuous planning".

In a study among Sowetan entrepreneurs, Nkosi et al. (2013: 9) were surprised that very few respondents mentioned the concept of competitive advantage as a key success factor, despite contemporary strategic management literature focusing on competitive advantage as the key aspect of business success. They concluded either that the Soweto entrepreneurs overlook or poorly understand the concept of competitive advantage or that the concept of competitive advantage is conceptualised differently in this township context.

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The sustainability of a competitive advantage relies on developing a set of core competencies that enable the business to serve the selected target customers better than its competitors do. The core competencies of small businesses relate in particular to the advantages of being small. Successful small businesses are therefore able to formulate strategies to exploit all the competitive advantages of their size by responding quickly to customers' needs, accessing information, providing personalised customer service, remaining flexible and willing to change, constantly searching for new emerging market segments, building and defending market niches, erecting switching costs through personal service and loyalty, remaining entrepreneurial and willing to take risks, and acting with speed and constantly innovating (Hatten 2012: 11–13; Katz & Green 2012: 15–16; Scarborough 2011: 89–90, 102; Stokes & Wilson 2010: 386–387). Scarborough (2011: 89–90) suggests that when defining the competitive advantage of a business, the small business owner should consider the following: *products* they sell (e.g. uniqueness, savings in terms of time, money and energy for the customer, environmental friendliness, and convenience); *service* they provide (e.g. closeness to customer can result in superior service for value-adding and a superior shopping experience); *prices* charged (e.g. decision to offer low prices, or value at probably higher prices) and *the way* they sell (e.g. business hours required by customers). These different aspects that a small business offers to its customers are referred to as the value package. The competitive advantage is therefore directly linked to the value package that is offered.

Ligthelm (2010: 147) conducted a longitudinal study in Soweto between 2007 and 2009 on the survival of independent small businesses compared to businesses established in malls. In line with the preceding discussion, he found that the independent small businesses were selling similar products to businesses located in malls, offering better customer service, offering better product quality and selling cheaper products than were available from the mall. These findings confirm that independent small businesses must find their competitive advantage in *survival strategies*. These survival strategies, based on realigning according to the changing customer profile and demand structures, include the realignment of product lines, reduction of product lines and stock levels, adjustment of the pricing strategy to ensure competitiveness, introduction of convenience premiums and a strong focus on customer service (Ligthelm 2010: 148).

Competitive strategies

From the above, it becomes clear that the competitive advantage and survival of a small business can be the result of a combination of many factors, also referred to as the 'value package'. This article will explore some of these factors.

The competitive advantage is put into operation mainly through strategic management and marketing management. Once the sustainable competitive advantage is identified through strategic management, the management of the business should decide on the different market strategies to be followed to successfully exploit the identified source(s) of competitive advantage. These market strategies are also referred to as competitive strategies (Jooste, Strydom, Berndt & Du Plessis 2012: 202). The three basic generic competitive strategy options available to any business would be cost leadership, niche market and differentiation, as discussed in the following subsections.

Market knowledge

Small business owners can only identify and develop their competitive advantage if they have a thorough knowledge of the market in which they operate. Identifying the sources of competitive advantage is based on a thorough knowledge of the market environment, including both customers and competitors (Scarborough 2011: 99). The real challenge for entrepreneurs is not only to identify the market segment most in need of their products or services, but also to find the gaps in demand that are not being served by their competitors in the market environment. This can only be achieved by fully appreciating both the *customers* and the *competitors*, which implies a true understanding of market size and potential, market segments and niches, and customers' needs, as well as competitors' and partners' capabilities, product and service offerings and intentions (Blundel & Lockett 2011: 118–125; Bressler 2012: 9; Maphalla, Nieuwenhuizen & Roberts 2010).

Scarborough (2011: 249) agrees with other marketing experts that the greatest marketing mistake that small businesses can make is failing to clearly define the *target market* to be served. Failing to pinpoint their target markets is especially ironic, because small businesses are far better suited to reach the small, often more concentrated market segments that their larger competitors tend to overlook or consider too small to be profitable. A customer-driven strategy is a powerful strategic weapon for businesses lacking the financial and physical resources of their competitors. When following a customer-driven marketing strategy, businesses should try to reflect and appeal to their target customers in a variety of ways ranging throughout the business

and including the merchandise sold, the music played in the store, and the location, layout and décor of the store (Scarborough 2011: 250).

If it can be assumed that previously disadvantaged townships are still mainly characterised by poverty and high levels of unemployment despite drastic changes in South Africa (Maphalla et al. 2010), many consumers in Soweto can still be regarded as being *price-sensitive* (which refers to consumers' response to price changes either upwards or downwards) (Lamb, Hair, McDaniel, Boshoff, Terblanche, Elliot & Klopper 2010: 414) and/or *price-conscious* (implying that consumers strive to pay low prices) (Pride & Ferrell 2010: 567).

In another study by Strydom (2013: 2870) to determine the retail patronage of Sowetan retailers, it was concluded that individuals shopping in the Soweto Township are the middle- to lower-income group who have been residing in the township for more than ten years, confirming their price-sensitivity. In contrast, it was found that high-value items were mainly bought outside the township by the high-income groups (Strydom 2011: 171; Strydom 2013: 2870).

From this discussion, it seems that the wholesalers and retailers located in Soweto mainly serve price-sensitive or price-conscious consumers still shopping within the boundaries of the township, probably by following survival strategies in order to remain competitive amidst large shopping malls.

Generic competitive strategy options

Competing businesses will seldom offer identical products. In most cases, the products will differ in some way. Even if two products are physically similar, the accompanying services may differ. The speed of service, credit terms offered, delivery arrangements, personal attention from a salesperson, and warranties are some of the factors that can be used to distinguish one product offering from another. Furthermore, a unique and attractive combination of products and services may even justify a higher price (Petty, Palich, Hoy & Longenecker 2012: 478).

A possible strategy option would be to develop a *niche market*. Although a niche strategy may initially be advantageous, competitors are likely to follow suit, and it is unlikely to provide the basis for long-term sustainable growth for small businesses, resulting in this being a less attractive competitive strategy (Deakins & Freel 2012: 224). The challenge facing the growing business can be stated in terms of a move from relatively narrow market niches in which it exploits a narrow range of distinctive products and services, into a situation in which it serves a larger number of market segments with a much broader skills and knowledge base (Deakins & Freel 2012: 84).

A second strategy option, which refers to competing on *cost* or *price*, seems to be less attractive, since it is unlikely, given their size, that many small businesses would be able to compete effectively on price (Deakins & Freel 2012: 224; Bressler 2012: 2). Merely being the cheapest is unlikely to be a winning strategy, particularly for small businesses (Deakins & Freel 2012: 223). Lower price has implications for margins and the ability to finance future growth. In addition, price is often perceived as an indication of quality, and too low a price may suggest, whether correctly or not, poor quality to customers (Mariotti & Glackin 2012: 170). Having lower costs (or charging lower prices) is not a bad decision in itself, but if lower costs or prices form the sole basis of a competitive advantage, growth is less likely to follow (Deakins & Freel 2012: 224; Mariotti & Glackin 2012: 170). Bressler (2012: 3) and Box and Miller (2011) agree that small businesses will rather select other differentiating options than low prices as a basis for their competitive advantage.

Allen (2012: 117) warns that once entrepreneurs realise that price has become the most important differentiator, the time for innovation has arrived and new value should be created soon. Therefore, competition on non-price factors (e.g. innovation, product features, service, product quality, promotion and packaging) becomes crucial to grow the business (Deakins & Freel 2012: 224; Pride & Ferrell 2010: 554). The more participants in the market, the more intense product differentiation should be to obtain exclusivity (Allen 2012: 116). In dealing with competition, entrepreneurs should make sure to provide meaningful differentiation in solving customer needs.

As a result, *differentiation* seems to be the most popular strategy option for small businesses to achieve a competitive advantage. Small business owners can compete and differentiate themselves by providing a unique value package to the customer in terms of *operational excellence* (best, lowest or lower price), *product leadership* (best product, high quality) and *customer intimacy* (best service, including speedy response and convenience) (Hatten 2012: 165; Bressler 2012: 2). Customers might perceive value as more quantity for less money, better or extra services, or speed and delivery. Some customers might place greater value on lower prices, while others might value time or convenience more. In some cases, customers will seek a combination of these factors, such as speed of delivery together with lower prices (Bressler 2012: 9).

To summarise the literature findings, small business survival and success seem to lie in differentiating the business with a unique value package based on the knowledge gained from competitors and customers.

Research question, research objective and hypotheses

Since small businesses in a modern township such as Soweto face increasing competition from large retail chains located in new shopping malls, the primary aim

of this study was to investigate the sustainability of independent small wholesalers and retail businesses in Soweto by identifying their main sources of competitive advantage, their market strategies and the unique value package they offer to their customers to compete in the market.

Hypotheses 1 and 2 were developed to establish if the sustainability characteristics of the business, namely age of business and growth tendency, play a role in whether a competitor analysis is performed regularly. The third hypothesis was formulated to establish whether businesses differing in age, turnover and growth tendency differ in terms of the importance they attach to *differentiation* as a market strategy and *product value* as a marketing aspect.

The following three hypotheses were formulated:

Hypothesis 1: There is a difference between businesses of different ages with regard to regularly performing a competitor analysis.

Hypothesis 2: There is a difference between businesses with different growth tendencies (expanded, contracted or remained the same) with regard to regularly performing a competitor analysis.

Hypothesis 3: There is a statistically significant difference between the four business age groups, five turnover groups and three growth tendency groups (expanded, contracted, or remained the same) with regard to the importance of their differentiation value scores and product value scores.

Before addressing the hypotheses, the research methodology will be discussed and the key profile aspects provided.

Research methodology

For this study, a survey was conducted in 2012 among a representative sample of small businesses in Soweto. The universe of this study consisted of formal, independent small businesses situated in Soweto, including shopping malls, large shopping areas (outside shopping malls), smaller shopping areas, single demarcated business stands and industrial areas. For the purposes of this study, formal businesses are defined as those that operate in that part of the economy where businesses have fairly well-developed systems and are incorporated into the formal economic and fiscal structures, which implies payment of relevant taxes and being captured in government statistics. Informal businesses were not included in this study. The sample also excluded branches of chain stores, franchises, street vendors, home-based

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businesses (such as spaza and tuck shops), professional and business services and transport businesses (passenger bus transport and taxis).

Interviews were conducted with the owners or managers of the businesses, since the measurement of entrepreneurial ability to compete and survive forms an important element of this study. The absence of a list of small businesses operating in Soweto necessitated the use of a multi-stage quota sampling methodology. The total sample was allocated according to different segments, namely shopping malls, shopping centres outside malls and industrial areas. At least 50 businesses in shopping malls had to be included in this study. In addition, at least 50 stand-alone businesses and businesses in small shopping centres outside malls had to be selected randomly in the following segments: shopping centres with between two and five businesses (maximum two interviews per centre); shopping centres with between six and ten businesses (randomly every second business); shopping centres with between 11 and 20 businesses (randomly every third business); and shopping centres with more than 20 businesses in the centre (randomly every third business). The sample was set at 650 businesses and included wholesalers, retailers and small manufacturers. For the purposes of this article, the responses of only the retailers and wholesalers were analysed, constituting 497 respondents.

Trained fieldworkers conducted face-to-face interviews, and strict ethical principles were adhered to. The completed questionnaires were checked for inconsistencies and omissions, and the captured data were processed and analysed using SPSS v21.

Both descriptive and inferential statistical methods were used to analyse the data. Parametric and nonparametric tests were used.

The one-way analysis of variance (ANOVA) parametric test was used to test for statistically significant differences between mean scores of the different business sustainability groups (see hypothesis 3).

The Kruskal-Wallis non-parametric test was also used because it is suitable for measuring variables on an ordinal scale (see hypotheses 1 and 2). The Kruskal-Wallis test is regarded as the non-parametric alternative to the regular one-way analysis of variance and is used to compare the medians of three or more independent samples.

Research findings

Profile of businesses

In describing the small businesses (wholesalers and retailers) interviewed in this study, the key profile descriptors considered were *distance* from the nearest shopping

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mall, *age* of the business and the current *performance* of the business with respect to income and growth tendencies. These findings are summarised in Table 1.

Table 1: Profile of respondents

Key profile aspect	Number of respondents	Percentage (%) of respondents
Distance from nearest shopping mall		
Less than 1 km	97	19.5
Between 1 and 3 km	177	35.6
Between 3.1 and 5 km	88	17.7
More than 5 km	116	23.3
(Missing value=19)		
Age of business		
Less than 1 year	66	13.3
1 year but less than 3 years	82	16.5
3 years but less than 5 years	99	19.9
5 years or longer	250	50.3
Turnover during past month		
Less than R5 000	65	13.1
R5 000–R10 000	158	31.8
R10 001–R30 000	150	30.2
R30 001–R50 000	78	15.7
R50 001–R100 000	33	6.6
More than R100 000*	13	2.6
Change in turnover during past year		
Expanded	253	50.9
Contracted	69	13.9
Remained the same	171	34.4
(Missing value=4)		

* In the data analysis, businesses with turnover of R50001–R100000 and over R100 000 were combined as a single category.

Distance from large shopping malls

In analysing the distance situated from the nearest shopping mall in Soweto, it was found that almost 20% (19.5%) of the businesses in the study were situated either within a shopping mall or close to the nearest shopping mall (within less than a kilometre). Just more than a third (35.6%) of the businesses were situated between 1 and 3 kilometres from the nearest shopping mall, 17.7% were between 3 and 5 kilometres away and 23.3% were more than 5 kilometres away. In total, 41% of these formal wholesalers and retailers were more than 3 kilometres away from the nearest mall.

Age of the business

Business age is a general indictor of the entrepreneur's business experience and ability to survive. Business age tends to affect the ability of the business to grow and move to the next size. Deakins and Freel (2012: 221) state that, in general, the bigger a business becomes, the more likely it is to survive longer and become older, thus improving its sustainability. Increased experience and size can also be instrumental in obtaining financial and other resources. Most wholesalers and retailers interviewed in this study (70.2%) had been in operation for three years or more (50.3% of the businesses were older than five years, and 19.9% had been in operation for at least three years but less than five). A fairly high level of business maturity can be assumed for the oldest category. At the other end of the scale, the survey findings confirm the existence of new entrants into township businesses, with 13.3% of the businesses in operation for less than a year.

Performance with respect to income and growth tendencies

In terms of the monthly turnover, 13.1% of the businesses earned less than R5 000 per month, almost a third (31.8%) earned between R5 000 and R10 000, and almost another third (30.2%) earned between R10 000 and R 30 000. The majority (62%) thus earned between R5 000 and R30 000 during the past month. The businesses were thus truly representative of small businesses.

With regard to growth tendencies, the majority (85.1%) of the respondents indicated that their businesses had either expanded (50.9%) their income during the past year, or remained unchanged (34.2%). A small percentage (13.9%) showed a decline in turnover. Despite the perceived increase in competition posed by large retail chain stores located in new shopping malls in Soweto, the businesses still experienced growth tendencies in income and were thus competing successfully.

Competitive advantage and market knowledge

When the respondents were asked whether they knew their target market well, 478 (96.2%) confirmed that they did. Of the aforementioned group, 427 (85.9%) respondents were able to describe their target market as being the local community. Having the community as the main target market implies a closeness to the market with all the attached advantages of having a close target market, as discussed in the literature (Scarborough 2011 : 89–90). A median value of four confirmed the result that 56.9% of respondents agreed or strongly agreed that they perform a competitor analysis regularly. Inferential statistical analyses were performed to determine whether the sustainability characteristics of the business, namely age and growth tendency, play a role in whether a competitor analysis is performed regularly.

In this section the first two hypotheses were tested.

Hypothesis 1

Firstly, a Kruskal-Wallis test was performed to determine whether the respondents, grouped according to the age of the business, differed with regard to regularly performing a competitor analysis. The results in Table 2 indicate that a statistically significant difference exists at the 1% level of significance (P=0.000) between the various business age categories with regard to the level of agreement on regularly performing a competitor analysis. Furthermore, the mean ranks indicate that businesses in operation for three years or longer tended to agree more that they perform a competitor analysis regularly (a mean ranking of 307.36 for businesses aged at least three years but less than five, and 242.38 for businesses aged five years and older) than younger businesses (a mean ranking of 231.31 for those that had been in business for less than a year, and 212.95 for those between the ages of one and three years).

Table 2: Kruskal-Wallis test: competitor analysis and age

Survey statement	I regularly analyse my competitors
Chi square	25.217
Df	3
Asymp. Sig.	.000

Hypothesis 2

A Kruskal-Wallis test was conducted to determine whether the respondents, grouped according to the growth tendency of the business (measured according to turnover

change) differed with regard to regularly performing a competitor analysis. The results in Table 3 indicate that a statistically significant difference exists at the 1% level of significance (P=0.000) between businesses with different tendencies in income growth (expanded, contracted or remained the same). Furthermore, the mean ranks indicate that business owners whose turnover had increased tended to agree more that they perform a competitor analysis regularly (mean rank=295.35) than business owners who indicated that their turnover had decreased (contracted) (mean rank=178.76).

Table 3: Kruskal-Wallis test: competitor analysis and growth in annual income

Survey statement	I regularly analyse my competitors
Chi square	67.014
Df	2
Asymp. Sig.	.000

In conclusion, it seems that older businesses that demonstrate a growth tendency tend to do regular competitive analysis more than younger, more stagnant businesses.

Competitive advantage and differentiation

About 86.1% of the respondents confirmed that they had attempted to differentiate their businesses from their competitors. They were also asked to rate the relative importance of the variables used to differentiate the business on a five-point scale, ranging from 'unimportant' (rating=1) to 'very important' (rating=5). All the identified attributes yielded relatively high scores (see Table 3), but the following were regarded by most as important differentiators when responses rated as important or very important (responses of 4 and 5 on the five-point scale) were grouped: price (78.3% of respondents), close relationship with customers (76.7%), shopping hours (75.1%) and personal attention (74.7%). Physical location and regular promotions were rated as important or very important by 68.2% and 62.0% of the respondents respectively. These findings confirmed the literature findings (see Scarborough 2011: 89–90) on ways in which small business owners can differentiate their businesses. Although the literature (as discussed by Deakins & Freel 2012: 224 and Pride & Ferrell 2010: 554) suggests that differentiation should be based on non-price factors, it is clear from this survey that price is the most common way in which businesses differentiate themselves from their competitors. Other advantages that small businesses have over their larger counterparts include close relationships, personal attention and shopping hours.

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Table 4: Relative importance of variables used for differentiating businesses from their competitors

Attribute	Percentage (%) of respondents that rated the attribute as important or very important
Price	78.3
Close relationship with customers	76.7
Shopping hours	75.1
Personal attention	74.7
Physical location	68.2
Regular promotions (e.g. advertising)	62.0

These findings are to some extent in line with the responses when respondents were required to rate the importance of a predetermined list of 15 marketing aspects on a five-point scale where 1 was 'very unimportant' and 5 was 'very important'.

Table 5 shows the percentages of respondents who rated the various marketing aspects as 'important' or 'very important'. The following three marketing aspects yielded the highest score: quality of products (95%), enough product variety (89.1%) and near to customers (87.3%). In the question about differentiation (see Table 3), 'product quality' and 'product variety' were not given as options, which was a weakness of the questionnaire. The responses to the question on marketing show that the product, particularly the quality, variety and brand, is an important part of the value package that small businesses offer to their customers. The product is slightly more important than price. The importance of best-value prices and lowest price in the area also achieved high scores of 85.3% and 76% respectively, indicating that price-related issues seem to be 'important' or 'very important' to respondents. The top ten marketing aspects are indicated in Table 5.

Table 5: Rating of the importance of marketing aspects

Marketing aspect	Percentage (%) of respondents rating the marketing aspects as 'important' (4) or 'very important' (5)
Quality of products	95.0
Enough product variety	89.1
Near to customers	87.3
Best value for prices	85.3
Best brands	84.9
Visual appearance of shop	83.3
Near public transport	79.0
Lowest prices in area	76.0
Appealing in-store appearance	75.8
Fast checkout	73.0

In conclusion, the small business respondents regarded the marketing options of product quality, product variety, location (closeness to customers), best-value pricing and best brands as the most important for the value package of the business.

Subsequently, a differentiation value score and product value score were calculated. (The differentiation value score was calculated based on prices, close relationship with customers, shopping hours and personal attention, and the product value score was based on best brands, quality products and enough product variety). This enabled the researchers to establish whether businesses that differed in age, turnover and growth tendency also differed in terms of the importance they attached to differentiation as a market strategy and product value by determining whether there were statistically significant differences in the scores for the various categories of sustainability.

Importance of differentiation value and product value for businesses with different levels of sustainability

Based on the descriptive analysis, a differentiation value score and a product value score were calculated. The differentiation score was calculated by averaging the sum of the scores for price, close relationship with customers, shopping hours and personal attention. The product value score was calculated using best brands, product quality and product variety. The internal consistency (reliability) of the two constructs was calculated using Cronbach's alpha. This resulted in a score of 0.739 for differentiation value and 0.685 for the product value. Both scores were above the threshold value of 0.6 that is considered satisfactory for exploratory purposes (Hair, Black, Babin & Anderson 2010: 92, 125). These scores were then used to determine whether any statistically significant differences exist between the different levels of the sustainability variables with regard to their differentiation value scores and product value scores.

The following hypotheses were tested:

There is a statistically significant difference between:

(a) the four business age groups;
(b) the five turnover groups; and
(c) the three growth tendency groups (expanded, contracted or remained the same) with regard to the importance of their

   (i) differentiation value scores and
   (ii) product value scores.

One-way analysis of variance (ANOVA) was used. The results are shown in Tables 6, 7 and 8.

Table 6: Mean differentiation and product value scores

Age of business	Differentiation value	Product value
Less than 1 year	4.63	4.51
1 year but less than 3 years	4.47	4.56
3 years but less than 5 years	4.79	4.71
5 years or longer	4.56	4.54
Turnover		
Less than R5 000	4.53	4.42
R5 001–R10 000	4.58	4.51
R10 001–R30 000	4.67	4.66
R30 001–R50 000	4.58	4.68
More than R50 000	4.61	4.60
Growth tendency		
Contracted	4.26	4.33
Remained the same size	4.41	4.39
Expanded	4.76	4.74

Table 7: ANOVA results: differentiation scores

Sustainability variable	F	Sig.
Business age	6.753	.000
Business turnover	0.832	0.505
Business growth tendency	33.52	0.000

The results indicated that a statistically significant difference exists between:

(a) the business age groups with regard to their differentiation score; and
(b) the business growth tendency groups with regard to their differentiation score.

Using the Scheffé multiple comparison test (generally used in conjunction with an ANOVA), statistically significant differences in mean scores were detected between:

(i) the '1 year but less than 3 years' (mean=4.47) and the '3 years but less than 5 years' (mean=4.79) business age groups (P=0.001);
(ii) the '3 years but less than 5 years' (mean=4.79) and the '5 years and longer' (mean=4.56) business age groups (P=0.003);

(iii)   the 'contracted' (mean=4.26) and 'expanded' (mean=4.76) growth tendency groups (P=0.000); and

 (iv)   the 'remained the same' (mean=4.41) and 'expanded' (mean=4.76) growth tendency groups (P=0.000).

Table 8: ANOVA results: product value scores

Sustainability variable	F	Sig.
Business age	3.3	0.020
Business turnover	4.2	0.002
Business growth tendency	35.91	0.000

The results in Table 8 show that a statistically significant difference exists between:

(c) the business age groups with regard to their product value score;

(d) the business turnover groups with regard to their product value score; and

(e) the business growth tendency groups with regard to their product value score.

   Using the Scheffé multiple comparison test (generally used in conjunction with an ANOVA), statistically significant differences in mean scores were detected between:

(a) the '3 years but less than 5 years' (mean=4.71) and the '5 years and longer' (mean=4.54) business age groups (P=0.042);

(b) the 'less than 5 000 a month' (mean=4.42) and the '10 000 to 30 000' a month (mean=4.66) groups (P=0.031);

(c) the 'contracted' (mean=4.33) and the 'expanded' (mean=4.74) growth tendency groups (P=0.000); and

(d) the 'stay the same' (mean=4.39) and the 'expanded' (mean=4.74) growth tendency groups (P=0.000).

   The results thus indicate that older businesses and businesses that have expanded tend to attach greater importance to differentiation and product value (as characterised by the most important differentiation and product value attributes) than younger business that have contracted. Although there is no statistically significant difference in the differentiation scores between turnover groups, there are differences with regard to their product value scores, particularly between the group with turnover of less than R5 000 and the group with turnover between R10 001 and R30 000. It thus appears that the lowest income group does not consider the aspects of product value, possibly due to their focus simply on surviving.

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Conclusion

Small businesses in Soweto face increasing competition from large retail chains located in shopping malls. In order to survive and grow, small business owners need to identify and focus on their competitive advantages over competing businesses. Identifying the sources of a competitive advantage is based on a thorough knowledge of the market environment, including customers and competitors. In this study, it was found that small formal business respondents know their customers well and that older small businesses with an income growth tendency tend to perform a competitor analysis regularly.

Small business owners can achieve a competitive advantage by differentiating themselves through providing a unique value package, including low prices, product leadership and customer intimacy. In this study, it was found that the respondents differentiated themselves in terms of price, relationship with customers, shopping hours and personal attention. Their scores for these aspects were used to calculate the differentiation value score. Product quality, best brands and product variety are also important aspects of the product value package of small businesses, and were therefore used in calculating the product value score.

With statistical testing it was found that the older and expanding businesses considered differentiation and product value to be significantly more important than the younger and contracting businesses. When looking at the differentiation value score (based on price, relationship with customers, shopping hours and personal attention), the focus on price of the older businesses and those that are growing could be explained by their ability to ask lower prices than younger businesses and those that are stagnating or shrinking and cannot afford to ask lower prices, which might in turn negatively affect their turnover. However, being able to charge lower prices could enable the older and growing businesses to further increase income. Having shopping hours as part of the differentiation value score is more important for older businesses and those that are growing probably due to the advantage of being available to their customer base. Having close relationships and thus being able to give personal attention were also included in the differentiation value score and the results in this regard could be explained by the older and growing businesses having the advantage of more time spent with their customer base (to build close relationships and give personal attention) as opposed to a possible lack of time spent with customers by younger and stagnating or shrinking businesses. .

When considering the product value scores (based on quality, best brands and variety) the reasons why the older and growing businesses considered these aspects as more important than the younger and contracting businesses could be that the latter group cannot afford to purchase stock of higher quality (implying possible

higher prices), the best brands (which are likely to be more expensive) or a variety of items (implying an investment in more inventory items). Lighthelm (2010: 147) also suggests limiting variety and stock as typical survival strategies. The focus on quality products, best brands and enough product variety by the older and expanding businesses implies their commitment to offer product value to customers in order to maintain or enhance their market share for survival.

The aim of this study was to investigate the sustainability of formal independent small wholesale and retail businesses in Soweto by identifying their main sources of competitive advantage, their market strategies, and the value package they offer to compete in the market. It was found that expanding and older (and therefore sustainable) small businesses value their unique offerings in terms of price, shopping hours, personal attention, close relationships, quality, brands and variety. These unique value packages give them a competitive advantage. The younger and contracting businesses do not seem to regard a unique value package to be as important for their businesses as the older and expanding businesses do. The research question can thus be answered by saying that formal independent small businesses in Soweto can compete, survive and grow (and thus have a sustainable competitive advantage), even with increased competition and in difficult economic conditions, by doing a regular competitive analysis and by providing a unique value package (based on differentiation and product value) to their customers.

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