 J Soc Sci, 29(1): 91-99 (2011)

The Wholesale-Retail Sector and Changes in Consumer Market Response in Rural South Africa

Tabukeli M. Ruhiiga

Geography and Environmental Science, Mafikeng Campus, North West University, Mmabatho 2735, South Africa
E-mail: tabukeli.ruhiiga@nwu.ac.za

KEYWORDS Consumer Goods. Per Capita Store. Consumer Market. Economic Growth. Out Shopping. Consumption Patterns. Shopping Preference

ABSTRACT This paper reports the results of an investigation of the dynamics of the wholesale-retail trade sector in South Africa- carried out in order to characterize the non urban wholesale-retail sector and responses of the consumer market as a base for insights on the growth potential of rural South Africa. Based on secondary statistics on population, production, households and income, this has been reinforced with a conduct of a census of operating stores in ten administrative units (wards) and observation of a sample of 148 outlets in the QwaQwa locality of the Free State. Interviews were then conducted with twenty consumers from each ward about their shopping habits. One locality was then selected in each of the four other provinces; North West, Eastern Cape, KwaZulu Natal (KZN) and Limpopo- where a ground enumeration of outlets and observation of a sample of business units at a selection of sites was carried out. Interviews were conducted with a random sample of 50 shoppers at each of these sites. Correlation analysis was used to test the linkages between households, income per capita, store density and shopping preferences. The findings indicate a high store density compared to income per capita and population, major changes in consumption patterns, a preference for urban shopping, general decline in prospects and doubts about the contribution of the sector to local economies. The implications are discussed in the context of overall economic growth in rural South Africa.

INTRODUCTION

A major setback for research on the business sector in non-urban regions in South Africa and throughout Sub-Saharan Africa is the absence of reliable data. FORUM SA (2010) reports of a new survey by Statistics South Africa in which over 50 percent of all the 24 000 business units included fall into the wholesale-retail trade category and where at least 1.7 million business units are not registered for VAT (value-added tax). In the same survey, 178 200 business units had at least a trading licence. While in general, the sector grew at an annual rate of 5.2 percent in 2009 (Afribiz 2009) the impressive figure masks the general decline outside of the main urban areas. In Table 1, Gauteng and KwaZulu-Natal support the largest population while Western Cape and Gauteng register positive net migration scores. The persistent out-flow of population from the rest of the provinces has long term negative effects on their growth prospects. Outside of the main urban areas, the countryside is categorised into three distinct spatial categories. First are the communal areas that up to 1994 were called "homelands" which provide home for the bulk of Black people. The second is the large chunk of country covered by large scale commercial farmlands and third is the hundreds of small and medium sized towns whose livelihoods are so much tied to the countryside that they essentially remain rural. For this study, a cut off resident population of 20 000 is the minimum size for an urban area. Given that the differences in population density steep in the black homelands while in commercial farmlands density drops often to less than 2 people per square kilometre, analysis of the sector is specifically focused on predominantly black areas. These population variations have a direct impact on store location and density in each of the three spatial categories.

Today, it is not mandatory for every enterprise to be registered. Many businesses in rural areas are not registered as businesses or for value added tax (VAT) purposes. Under these conditions, one can only deal with estimates of the size of the business sector with caution. Table 2 indicates the performance of the various provinces and the relative distribution of VAT registered stores. The wholesale-retail sector is an efficient organisation for mobilizing resources that fuel the exchange process which in turn initiates growth through domestic investments and various sources of finance. It is necessary to investigate the sector in the context of the wider interest in local economic growth. Implied in such an approach is that one of the ways of understanding the roots of economic

Table 1: Population distribution in South Africa

Province	*Population*	*% of Total population*	*VAT* outlets*	*Area in km²*	*Population density*	*Net migration*
Eastern Cape	6 743 800	13.5	209	169 580	39	-211 600
Free State	2 824 500	5.7	129	129 480	22	-29 400
Gauteng	11191700	22.4	616	17 010	615	364 400
KwaZulu-Natal	10645 400	21.3	580	92 100	111	1800
Limpopo	5 439 600	10.9	265	1213 910	43	-141 000
Mpumalanga	3 617 600	7.2	181	79 490	46	-44 200
Northern Cape	1 103 900	2.2	17	361 830	3	-18 500
North West	3 200 900	6.4	175	116 320	32	-16600
Western Cape	5 223 900	10.4	111	129 370	41	94 000
Total	49991 300		2 284		40	

Source: STAT. 2010b. Mid- year Estimates, July 2010
*VAT= value added tax applicable to firms with annual turnover of over R300 000 (US $37 500)

growth (Jones 2002; Snowden and Howard 2005; Barro and Salai-i-Martin 2003; Carlin and Soskice 2006; Warsh 2006) and its spatial ramifications calls for a critical focus on the sector and its operations because such characteristics reveal diversity and complexity in underlying processes of production in the economy. A survey of registered non-VAT firms (STAT 2002) produced a figure of 2.3 million as of 2001 but recent data seem to indicate a decrease to 1.1 million in 2009 (Bauer 2010). As of March 2010, the sector had shed 56 000 jobs equivalent to a decrease of 3.3% (STAT 2010a). Unregistered businesses often lack formality in terms of business licences, formal premises, operating permits and accounting procedures.

Certain changes since the mid 1980's have had a profound effect on the operations of business across the country. State inspired business liberalisation policies have brought about easier procedures for setting up business and to a rapid spread of Asian businesses from Gauteng and KwaZulu-Natal into the rest of the country. An influx of Asian and African immigrant traders since 1994 who engage in a diversity of small business undertakings is noted. There has been an increase in the participation rates of indigenous Africans who were restricted through apartheid laws and, a surge in informal sector activities partly fuelled by lack of formal employment opportunities (Bauer 2010). Since 1995, affirmative action in the form of black economic empowerment (BEE) has witnessed the growth of a small black business class trading on the Johannesburg Stock Exchange (JSE) but its impact on service, infrastructure and mining industries remains minimal. There is little empirical evidence that the BEE programme has yielded any major inroads by indigenous black South Africans into the wholesale-retail sector. Change that has been gradual but perhaps with the greatest impact on the business sector has been in the form of improved communications, the ending of trade sanctions against South

Table 2: Profile of provincial economies

Province	*GDP in US $ millions (2007)***	*Economic growth rate % (2007)*	*Contribution to total GDP%*	*Per capita income in US $***	*VAT-registered stores rural %**	*VAT-registered stores urban%**
Eastern Cape	18 735	4.7	7.8	2 779	42.0	58
Free State	13 120	4.1	5.4	4 646	0.1	99.9
Gauteng	80 590	5.7	33.5	7 201	5.5	94.5
KwaZulu-Natal	39 060	5.2	16.2	3 669	0.1	99.9
Limpopo	16 651	4.4	6.9	3 061	1.3	98.7
Mpumalanga	16 711	4.2	6.9	4 619	14.0	86
Northern Cape	5 325	3.3	2.2	4 824	4.9	95.1
North West	15663	3.7	6.5	4 893	0.9	99.1
Western Cape	35060	5.7	14.5	6 711	5.1	94.9
		4.6%	100%		10.3	91.8

Source: STAT 2010b. Mid-year Estimates, July 2010 ** Author's computations

Africa in 1994 and freedom of movement. The outcome is a modernisation of consumption tendencies, shopping patterns, rapid and often uncontrolled urbanisation, relative decline in the buying power of rural households and increasing poverty levels in some areas. The response of big business has been the opening up of new shopping malls, supermarkets, chain stores and speciality outlets in low income African residential areas. The growth of shopping malls strategically next to high density predominantly black areas has created problems of a different kind for long established traditional outlets. Exposure to these developments widens the shopping choice of consumers whose increasing sensitivity to variety and quality (Ruhiiga 2001) mean that traditional stores struggle to hang on to their clients. Beyond South Africa, the supermarket revolution (Coe and Wrigley 2007; Faiguenbaum et al. 2002; Grewal and Levy 2007; Humphrey 2007; Reardon et al. 2003) has witnessed the internationalisation of retailing in Africa, South America and South East Asia.

Across rural South Africa, observations provide empirical evidence of a general decline in the wholesale-retail sector as shown by closed down shops, a constriction in the number of outlets, a noticeable disappearance of wholesalers in small towns, dying small towns (Ruhiiga 2000), increasing informalisation of the sector which has led to a surge in street trading, problems of accessing funds from the formal money markets and collapse in patronage levels. Per capita stores represent the relationship between stores and a measure of the population in terms of either individuals or households. Several other measurement methods exist but their outcomes only provide half the picture. Where point-of sales data is available, wholesale-retail annual sales provide a reliable measure of trends in performance. In the meantime, activities within the market and the inherent processes of marketing, sales promotion, advertising and supply chain management eventually create an integrated organisational structure allowing for entry of new firms and exit of others (Smith 2007). Market growth should ultimately lead to expansion in scale of production, changes in output, changes in performance, decline and stagnation of some categories, changes in productivity and efficiency. The traditional distribution channels (Matsui et al. 2005) with manufacturer-wholesale-large retailer-retailer-street vendors and hawkers are gradually disappearing. Direct procurement contracts with producers, large commercial farms and factories mean that the traditional wholesaler is becoming a rare breed. Instead, large store chains are spreading out by opening new stores in traditional localities originally dependent on the small general dealer. A narrowing of the mean price range between the different forms of stores increases choice for customers (Ruhiiga 2001) but piles pressure on store owner-managers to beat competition and stay afloat. Given that economic growth increases the amount of the goods and services produced by any country over time (Sullivan and Sheffrin 2003); growth should generate changes in the productivity capacity of an area shown by positive increments in gross domestic product. In these conditions, the wholesale-retail sector should play a key role (Agapussi 2007) in making available within the market a range of goods depending on the demand structure of the area. In theory, growth should be a desirable target for it creates cyclic movements in the exchange function, improves linkages with suppliers of services and increases the tax base of an economy making it possible for the state to provide bulk services. Investments change (Piana 2001; Ninh 2003) the income patterns of a community because they directly translate into changes in consumption and saving patterns. Ultimately, a new evolving business environment (Ruhiiga 2002) in rural South Africa presents new challenges at the interface between traditional methods of wholesaling- retailing and the consumer market.

A significant amount of literature populates the discourse about the impact of business on economic growth (Skhosana 2010; Daniels 2010; Richman 2010). Most such studies are often dominated by research on impacts arising out of investments in tourism, services or in manufacturing within established urban concentrations. At another level, the bias is on medium and large enterprises that are well capitalised and run as modern management systems. In South Africa, significant literature exists on characterisation of the sector (Kirsten and Rogerson 2002; Barnes 2002) as part of general strategies for the growth of the small, medium and micro-enterprises (SMME) sector. This industry constitutes one of the commonest forms of business in many developing countries.

Research effort on the wholesale-retail sector tend to focus on two extremes; the urban based formal specialised retail and wholesale outlets or the informal sector survivalist outfits. Little is known about the operations of the wholesale-retail sector outside of the major urban centres, most of which are not VAT registered and how the sector responds to local, national and regional changes sweeping the industry. The impact of changes in the consumer market on the growth potential of the wholesale- retail sector in rural areas has not yet received adequate attention not just in South Africa, but in many developing countries. The purpose of this study is to situate the sector within the wider context of consumer market behaviour as a base for insights on internal processes of growth in local economies. It is hypothesized that household income has a significant impact on the performance of the sector. Two objectives are specified; first is to present a profile, the structure and extent of formalisation of the non-urban wholesale-retail sector and second is to characterize consumer responses to the sector – with a focus on income distribution, shopping patterns and preference.

METHODOLOGY

A quantitative research design is applied allowing for the use of secondary statistics from government sources together with ground observations of stores, the filling in of observation schedules and the conduct of interviews with shoppers. A ground store enumeration exercise was carried out in the QwaQwa area- south of Phuthaditjhaba (latitude $28^0$30’44"S, longitude $28^0$49’16"E) in the Free State Province covering 592 wholesale-retail outlets from which a 25 percent sample fraction generated a random sample size of 148 outlets. From a total of 34 wards in the municipality, a random sample of 10 wards was selected followed by an interview conducted with a random sample of 20 shoppers from each ward giving a sample size of 200 consumers. For the remaining four provinces, Limpopo, KwaZulu Natal, North West and Eastern Cape, a local municipality was selected with a relatively high population density and within a commuting distance of a major urban centre. This generated the following urban centres; Mafikeng (latitude $25^0$51’34"S, longitude $25^0$39’08"E) in North West), Nongoma (latitude $27^0$53' 16"S, longitude $31^0$41'08"E) in KwaZulu Natal), Mthatha (latitude $31^0$35'10"S, longitude $28^0$47'24"E) in the Eastern Cape and Thohoyandou (latitude $22^0$58'26"S, longitude $30^0$27'31"E in Limpopo. Thereafter, one rural ward with a high population density and a relatively well developed road network in each of these municipalities was selected. Targeting community pay-points for social assistance grants, a random sample of 50 residents was selected in each ward and these were interviewed about their shopping behaviour. A ground census in each of these selected wards provided data on the number of 372 outlets from which a 20% random sample was picked from each ward producing a total sample size of 82 stores for observation. Table 3 presents results from the QwaQwa sample while in table 4; results from the other four provinces are presented.

RESULTS

With respect to business profile, observation of outlets in other sites spread across four provinces provided consistent evidence of stagnation and decline: closed down stores, extremely low stock levels, poor record keeping practice, high consumer price, poor quality especially of fresh produce, struggling liquor outlets dominated by the sale of African beer, the dominant role of cafe’s in small towns, poorly stocked supermarkets, an absence of variety stores, an absence of speciality stores, the penetration of foreign traders and generally too many small, micro and informal outlets in spite of the general poverty of the consumer market. It was noted that where settlements were clustered in villages separated by a 3-5 kilometre distance as in Thohoyandou, Mthatha and Nongoma, this form of settlement pattern tended to impact on store density. In the case of the Mafikeng sample, villages were larger in size and farther apart but with fewer outlets. In terms of business structure, the low presence of major national chain stores except supermarkets mean that the local consumer market is not seen as of high consumption potential.

Consumer behaviour especially in shopping patterns was captured by recording an estimate in each locality of the percent of shopping carried out at the nearest urban centre. Consumers reported that urban centres offer choice, quality products, discounts, competitive prices and fresh farm produce at Fruit and Vegetables stores. They also reported bargains and periodic specials in addition to some stores offering credit facilities. Most reported that since all ATMS, banks and credit outlets are in town, they saw no reason of drawing money and taking it to shop at outlets nearest to their homes. For the QwaQwa area, on average, 84 percent by value of household shopping is done at the nearest large urban centre leaving a mere 16 per cent of potential disposable income for local outlets. A mean ratio of 49: 1 indicates the number of households per store (per capita store score) for all the ten wards. A high density score for rural localities does not necessarily exert a noticeable attraction on patronage volume, except in town where the high number of stores next to each other facilitates return shopping, store switching behaviour and the opportunity to compare prices. A consistently low patronage level of local outlets is noted across the five provinces-see tables 3 and 4. In Mafikeng, 54 percent of respondents reported out shopping trips at least twice a week while a significant 30 percent reported undertaking such trips only once a month. In Thohoyandou, 70 percent reported once a week while 22 percent reported twice a week; for Nongoma in KZN, 67 percent reported once a week while a significant 34 percent indicated only once a month and for Mthatha in the Eastern Cape, 58 percent reported once each week while 28 percent reported twice a week per month. Overall, the dominance of out shopping in the consumption patterns of consumers is clear. Overall, 84 percent for the QwaQwa sample and 90.2 percent for other sites reported that household shopping takes place at major urban centres outside the immediate residence of consumers. In the major towns, the dominance of outlets in the fast moving consumer goods category -supermarkets, clothing, footwear, fast food, fruit and vegetables, general dealers- in the retail trade sector in Phuthaditjhaba, Thohoyandou, Mafikeng, Nongoma and Mthatha was reported.

Business development is often measured in terms of the extent of formalisation of operations. Observations showed that most rural outlets across the study sites are actually not registered as such other than holding the traditional trading licences. In the meantime, business operators close to Thohoyandou and Nongoma reported serious transport overheads in accessing stock from wholesalers. In Table 2, the Eastern Cape registers the highest percentage of VAT stores in rural areas partly an indication of the rural concentration of the population. Limpopo scores one of the lowest per capita incomes in the country but the concentration of former black homelands in these two provinces mean that they support high population density pockets. In Tables 3 and 4, variations in per capita stores are noted and consumer response appears to be dependent on a basket of variables in which store density is critical only in towns.

Table 3: QwaQwa sample, Free State Province

Ward	*Per capita annual income in US $*	*House holds 2003*	*Per capita store adjus-ted for 2009**	*Estimate of patro-nage 2010%**
07	1770	2016	75	74
09	3420	3274	78	83
12	3960	3132	38	87
13	1220	2766	120	78
15	2230	3027	64	80
18	2920	2856	63	88
20	4760	1815	44	89
26	3350	3141	47	94
31	1 4080	3603	112	77
33	964	3468	133	89
Total	47350	29 098	Mean=77	Mean=84

Source: Provincial Demarcation Board, 2010. *Author's computation- number of households per store. **Relative frequency of out shopping trips. Sample size for consumers in the QwaQwa area, n=200.

Table 4: Store density and consumer shopping behaviour

Localty	*Store*	*per capita*	*Urban shop-ping*	*Rural shop-ing*
	1	*2*	*3*	*4*
QwaQwa, Free State	592	49	84%	16%
Thohoyandou, Limpopo	102	32	89%	11%
Nongoma, KwaZulu Natal	48	48	87%	13%
Mthatha, Eastern Cape	68	51	94%	06%
Mafikeng, North West	184	18	97%	03%
			Mean=90.2%	

Source: Results from field work for each of the five sites Where 1= number of stores in each site, 2=total population of household per store, 3= percentage of household shopping captured by urban centres, 4= relative size of patronage of rural stores

Applying Pearson's product moment correlation model, sample correlation coefficient, commonly denoted *r*:

$$r = \frac{\sum_{i=1}^{n}(X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^{n}(X_i - \bar{X})^2}\sqrt{\sum_{i=1}^{n}(Y_i - \bar{Y})^2}}.$$

the correlation between income per capita and store density returned an r-score of 0.001836 translating into a coefficient of determination R^2-score of 0.18 percent for the QwaQwa sample. A repeat of the technique for the rest of the four sites consistently produced an R^2 score of less than 4 percent. Household income does not appear to be the main driver of store density. Responses from shoppers in the QwaQwa area indicated that they patronized local stores for very few of the shopping requirements because these outlets did not meet expectations- in stock, quality, price, branding and discounts. This is in spite of the extension of soft consumer credit as a widespread practice in all rural areas.

DISCUSSION

Findings on business profile indicate little evidence that the sector is set for recovery in the near future. Instead, the wholesale-retain sector is becoming increasingly marginalised. This decline can be partly explained by external changes at the locality and regional levels and by modernisation of consumption tendencies where urban based operators attract the greatest patronage. At another level, consumers respond to what the immediate market offers. In the rural countryside, outlets are not adequately stocked, configured or formatted to address even the most basic needs of consumers. For example, variations in shopping trips by consumers at various localities are closely linked to income distribution through time. Households which predominantly depend on monthly remittances from working family members are likely to go on grocery shopping trips once such money is received. The same applies to households which mainly depend on state social assistance grants that are paid on a monthly basis. Households that display diverse income sources show higher mean shopping frequencies per month. Imposed on this generalisation is the effect of distance and cost. In Mafikeng and Nongoma, for example, it was reported that some shoppers living within an 80-100 kilometre radius of the city were severely constrained by the high cost of transport.

The high number of stores relative to the demand potential of the consumer market means that the drivers for opening business may not necessarily have been a perception of market demand – a finding in agreement with Bauer (2010). The high store density in these localities leads to a low maximum potential customer base each outlet can retain translating into lower sales per outlet with increasing density. As a result, the viability of such outlets is undermined. Empirical evidence, however, did not show that where store density is low and outlets relatively well stocked, this has had a constraining effect on the outflow of buying power to the urban centres. What is noted is the absence of a link between outlets, population size and income per capita. Business structure shows that the dominant characteristic of the sector is the absence of diversity in terms of lines of specialisation. The sector has been slow in responding to changes leading to a loss of niche markets. While correlation analysis indicates a high degree of overcrowding in retail stores, the wholesale function is increasingly becoming invisible. Wholesalers can no longer offer better prices than large general dealers and supermarkets. Indeed, for some basic foodstuffs, supermarkets are definitely cheaper. In Kenya, Neven and Reardon (2006) report that supermarket chains were growing at an annual rate of 18 percent and had modernized their procurement systems, differentiating them from traditional retailers and wholesalers. What this means is that the consumer price in the market does not include an inbuilt margin for small retailers who have to bear the transport overhead in moving stock from purchase points to their stores. Suppliers offer similar prices to the public and often the discount for bulk purchases are insignificant. Given that the largest percent of wholesale-retail outlets are of the small type, it is not surprising that conditions in the market have conspired to erode their patronage levels. This is true for both rural and urban based outlets. The fact that so many owner-managers persist in offering goods in a market showing signs of depression points to challenges of local economic growth. Apart from chain stores, franchise motor trade stores, farm machinery and supermarkets, the majority of outlets do not track changes in consumption patterns.

Business formalisation is often a measure of the extent of development. The concentration of VAT registered outlets was noted for urban areas at 84 percent while the bulk of rural outlets are not registered. This would indicate low levels of management sophistication and capitalisation which translates into the dominance of very small business types. In a study of the small, micro and medium enterprises (SMME) in South Africa's Cape Peninsular, Bruwer (2010: 64) found that accounting information is under-utilised leading to poor decisions being made which impact negatively on sustainability. It is not expected of such outfits to be capable of allocating resources either for marketing purposes or for tracing changes in consumer behaviour. Such businesses are handicapped in their ability to attract significant patronage, to compete with urban outlets or even to exert a reverse influence on shopping preference for urban centres. Firm size, limited capitalization and management skills make this unlikely on a large and sustained scale. This means that these firms are constrained in their ability to predict the likely response of consumers in shopping behaviour early enough to design appropriate interventions.

Income distribution greatly impacts on the buying power of the consumer market. If consumer responses indicate a convergence in the lifestyles of rural and urban areas, then changes in consumption behaviour are increasingly determined by urban tendencies. The consumer market is modernising irrespective of the residence status of shoppers. Like their rural counterparts, small retail outlets – even in towns- are slowly dying as a result of the inability to ride competition from big business. The consumer market is changing at a rate faster than the potential adaptations that operators are capable of. Worse still, even if rural outlets were adequately capitalised to offer similar conditions as pertaining in the urban centres, the attraction of the town on a social scale would still exert a pull on the buying power of the market. This finding goes beyond conventional notions about the economics of centre attraction because the preference by consumers for urban based outlets goes beyond basic elements of pricing, marketing, environment, format, products, quality (Platzer 2002) and customer care; other non-business factors come into play. The town offers a social space for interaction allowing for multi-purpose trips to include socialisation opportunities across the entire range of age and consumer segments. The formal money market, banks, ATMS and credit suppliers, is located in town. Even when pay-points operate periodically in rural localities, social assistance beneficiaries invariably travel to town to effect purchases. Beneficiaries, whose payments are channelled direct into their bank accounts, have to travel to withdraw such. In short, very little hard currency actually circulates in the countryside. Money is received in town, circulates in town and is converted into goods and services in town. In a study of consumer choice dynamics in the USA, Leszczyc et al. (2000: 343) found that consumers make multiple purchases during a shopping trip. Increasingly the high frequency of trips to and from town by rural people means that the rural and urban components of these areas are merging into a single consumer market. In this context, opportunities for the survival of rural-based outlets are limited as a result.

With reference to performance trends, there is hardly any evidence on the ground of a definite shift from wholesaling-retailing into other forms of business. Spatial variations in household income distribution do not appear to translate into a similar impact on business performance. The original research hypothesis, on the basis of the R^2 scores is hence rejected. The mismatch between critical inputs illustrates the absence of horizontal and vertical integration in local economies. But this points to problems associated with structural weaknesses of the rural economy itself where little commercial production occurs thereby limiting the potential emergence of off-farm livelihoods. If the sector appears unable to adequately respond to changes in the consumer market, blame has to be apportioned because the local economy itself is distorted. The local market plays a critical role in the growth process for it provides a convenient and accessible medium through which key players engage, interact and transact. The sector is in contact with the final consumer and should in theory be better positioned to respond to such interactions. The lack of integration, through which local outlets would play a role beyond simply making basic consumer goods available in the market, is a serious threat to growth, not only of the sector but at a deeper level, of rural economies. But this has arisen due to a combination of forces beyond business per se. It points to structural weaknesses in the local economic base, where the development of the type of resources that would initiate an exchange economy is not taking place.

The role of the wholesale-retail trade sector in local economic growth remains minimal today. Empirical evidence indicates that there has been a surge in participation rates in retailing following a decline in employment creation since 1995, a position echoed by FORUM SA (2010). But this surge does not necessarily point to increasing entrepreneurial activity as such but rather a response to other forces. If a significant percent of participants are drawn into business as a response to increasing unemployment, then it should not be surprising that firm entry and exit does not follow theoretical expectations. While not departing from the dictum that business remains the engine of economic growth, the findings of this study provide new insights on growth prospects for rural South Africa. A booming market is good for the local economy because it would retain a significant volume of buying power for recycling domestically allowing indigenous growth to flourish. This is not happening partly because of a constriction in mean household incomes, a net outflow of the economically active population (see Table 1) to large cities and leakage of buying power from rural areas to the major towns- a finding that concurs with Ruhiiga (2001). The result is that the potential buying power of the rural market is constrained.

CONCLUSION

In conclusion, the findings seem to indicate that the wholesale-retail sector is unlikely to play a leading role in the local economies of rural South Africa in future. Relatively high store density values in rural areas limit long term growth prospects. But underlying the decline of the wholesale-retail sector are structural weaknesses in rural economies that constrain the growth of a diversified production base. What are needed urgently are innovative responses of the sector to these changes. Parallel to such developments is the urgent need for NGO, s to mount education and training campaigns aimed at increasing understanding of market forces by business owners in order to widen their response options.

REFERENCES

Afribiz 2009. The South African Economy. Afribiz. From <http: //www.afribiz.info/?> (Retrieved on 11 April, 2011).

Agupusi P 2007. Small business development and poverty alleviation in Alexandria, South Africa. *Paper presented at the ECINEQ Conference,* Berlin, July 14, 2007.

Bauer N 2010. Unemployment leads to business start-ups. Johannesburg: *Business Day*, October 19, P. 1.

Barro RJ, Sala-i-Martin XX 2003. *Economic Growth*. Cambridge, M.A: MIT Press.

Barnes A 2002. Shopping centres - more than just a mix of tenants. *Shopping South Africa,* 1(7): 11.

Bruwer JP 2010. *Sustainability of South African FMCG SMME Retail Businesses in the Cape Peninsular.* MTech Dissertation. Cape Town; CPUT.

Carlin W, Soskice D 2006. *Macroeconomics:Imperfections, Institutions Policies.* Oxford: OUP.

Coe M, Wrigley N 2002. Host economy impacts of transnational retail: the research agenda. *Journal of Economic Geography*, 7(4): 341-371.

Daniels F 2010. South Africa's stillborn growth plan. NEXT, 07/12/2010.

Faiguenbaum S, Berdegu½ JA, Reardon T 2002. The Rapid Rise of Supermarkets in Chile: Effects on Dairy, Vegetables and Beef Chains. *Development Policy Review,* 20(4): 459-471.

FORUM SA 2010. New survey from Statistics South Africa. From <http: //www.fotumsa.co.za/forums/show thread. php?t=497>. (Retrieved on 01 December, 2011).

Grewal D, Wall S 2007. Emerging Issues in Retailing Research. *Journal of Retailing,* 85(4): 522-526.

Humphrey J 2007. The Supermarket evolution in Developing Countries: Tidal wave or Tough Competitive Struggle? *Journal of Economic Geography,* 7(4): 433-450.

Jones CI 2002. *Introduction to Economic Growth.* New York: W.W. Norton.

Kirsten J, Rogerson CM 2002. Tourism business linkages and small enterprise development in South Africa. *Development Southern Africa,* 19: 29-59.

Leszczyc PTLP, Sinha A, Timmermans HJP 2000. Consumer store choice dynamics: an analysis of the competitive market structure for grocery stores. *Journal of Retailing,* 76(3): 323-345.

Matsui K, Lu S, Nariu T, Yukimoto T 2005. Marketing channels and Retail Store Density in East Asia. *Asian Economic Journal,* 19: 407-422.

Municipal Demarcation Board (MDB) 2009. *Municipalities, 2010.* Johannesburg: MDB.

Neven D, Reardon T 2006. Kenyan Supermarkets and Horticultural Farm Sector Development. *Paper Prepared for Presentation at the International Association of Agricultural Economists Conference,* Gold Coast, Australia, August 12-18, 2006.

Ninh LK 2003. *Investment of Rice Mills in Vietnam:The Role of Financial Market Imperfections and Uncertainty*. Ph.D. Thesis, Unpublished. Groningen: Rijksuniversiteit.

North EJ, Kotze T 2004. Consumer perception of shopping centres in Pretoria. *Southern African Business Review,* 8(1): 30-38.

Nxedlana S 2010. *Sector Chartbook; South African Retail Trade. Johannesburg*: FNB Research Economics

Piana V 2001. *Investment*. Rome: Economics Web Institute.

Reardon T, Timmer CP, Christopher B, Berdegu½ B, Berdegu½ J 2003. The Rise of Supermarkets in Africa, Asia and Latin America: Challenges for Agrifood

Products Suppliers. *Paper Series,* Wisconsin: University of Wisconsin.

Richman H 2010. American economic leaders keep giving advice to China. From <http: //www.idealtaxes.com/ post3263.shtml. (Retrieved on 8 December, 2010).

Ruhiiga TM 2000. Rural settlement and retail trade business in the Eastern Cape. *Development Southern Africa,* 17(2): 189-200.

Ruhiiga TM 2001. Pricing and buying power leakage from Eastern Free State towns.*Uniqwa Research Chronicle,* 3(2): 117-132.

Ruhiiga TM 2002.Modeling accelerated business growth. *Southern Africa Business Review,* 6(1): 31-37.

Skhosana N 2010. The second 'Race for Africa. From <http: //www.moneyweb.com/mw/view> (Retrieved on 8 December 2010).

Smith J 2009. Geography and marketing strategy. From <http: //www.web-articles.info/e/a/title/Geography-and-marketing strategy> (Retrieved on27May, 2009).

Snowden B, Howard RV 2005. Modern Macroeconomics, Its Origins, Development and Current State. Cheltenham: Edward Elgar.

STAT 2009. 2009/2010 *October Household Survey*. Pretoria: Statistics South Africa

STAT 2010a. *Quarterly Employment Statistics.* Pretoria: Statistics South Africa.

STAT 2010b. *Mid-year Estimates for South Africa.* Pretoria: Statistics South Africa.

Sullivan A Sheffrin SM. 2003. *Economics: Principles in Action*. Upper Saddle River, New Jersey: Pearson Prentice Hall.

Warsh D 2006. *Knowledge and the Wealth of Nations, a Story of Economic Discovery.* New York: W.W. Norton.