

The most common reason for small business failure in SA

Market access is key for any growing business in a competitive business landscape.



Source: [Unsplash](#)

However, for small businesses, expanding market access and growing their customer base can be difficult, especially when there are large clients to be serviced.

The small business sector is a critical part of any country's successful economy.

However, in South Africa, small businesses tend to struggle with a high failure rate. In fact, South Africa has one of the highest SMME failure rates globally.

A University of Stellenbosch Business School study found that there are multiple reasons for this, including a lack of proper management capacity and training, a lack of proper financial management skills, a lack of access to sustainable financial assistance; an inadequate understanding of the industry in which the business operates; and a lack of entrepreneurial networks to share resources and information.

Furthermore, South African consumers and corporates are not particularly renowned for their support of small businesses when compared with other regions.

There are however many reasons for the high failure rate of small businesses, agrees Catherine Wijnberg, founder and CEO of Fetola.

“In our experience as a business growth agency, the most common reason is that many businesses are simply not yet market-ready. While there is often a desire to onboard a big client, in reality, the business may not be in a position to service that client.

“Other reasons for a small market or ailing to grow its customer base is that its product quality might not be good enough, it could be targeting the wrong customers, using inappropriate marketing channels to reach its intended target market, or making it too difficult for customers to order and buy from them.”

“When it comes to market access, most small businesses have not yet cracked the secret to success. Businesses tend to blame the fact that nobody is buying from them and to be fair, as a country we don’t have a culture of supporting small businesses.



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However, more often than not, the reason nobody is buying from these small businesses is that their product or service quality, capacity and value for money does not meet the needs of their customer,” says Wijnberg.

Expanding a business’s customer base to service larger clients can come with its own challenges, she points out.

“For example, does the business have sufficient resources to service larger clients? Small businesses need guidance to understand what clients are looking for from new suppliers. Critically, corporates and multinationals require a pipeline of reliable suppliers. An unreliable supplier is unlikely to receive repeat business.”

Key to the success of any small business, she says, is to know who your target market is and to ensure a suitable product market fit.

“Identify what your niche is and then decide how you can own that niche,” she advises.

“Other questions you should be asking is whether your brand is visible to the right target market; is your product or service of sufficiently high quality and does the quality justify the price you are charging; and can you guarantee reliable and consistent delivery?”

In fact, says Wijnberg, reliability is arguably the most important element of any supplier relationship.

“From a corporate perspective, there is a huge risk in buying from a supplier that is not reliable.”

The challenge, she adds, is that there is often a mismatch between what corporates expect from their small business suppliers and what small businesses understand as their responsibility to provide.

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"Corporates and large retailers often miss the fact that they really need to explain and communicate to new small business suppliers in very clear terms what their expectations are."

To help address the biggest challenges small businesses face – market access and access to growth finance - Fetola are launching a programme in July aimed specifically at youth businesses and focusing on market readiness as a route to market access, and investment readiness as a route to access growth finance.

"When small businesses get it right - with the correct strategy to build solid trade relations and partnerships - the results can be transformative," concludes Wijnberg.

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