

# Entrepreneurialism and the Ethics of Business Firms: Focus on Micro and Small Scale Enterprises in Merkato Market, Addis Ababa

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## Abstract

Entrepreneurialism refers to the state of acting in an entrepreneurial manner through entrepreneurial skill. Most of the beginner entrepreneurs start their career through establishment of micro and small-scale enterprises (MSEs). Currently, there is more recognition that marketing ethics is becoming more important for the MSE sector as the success of such firms depends, among other factors, on their integrity and the founder-entrepreneur's benevolent character. This study also aimed to assess the alignment of entrepreneurialism with marketing ethics practices of MSEs, in Merkato market, Addis Ababa. In order to do so, the researcher distributed questionnaires as a primary data collection tool for 280 respondents (consumers) using venue sampling technique. Besides this, the researcher analyzed reports to assess entrepreneurialism practice in the area as a secondary data source. The study employed descriptive statistics techniques, like tables, frequencies, percentages, and graphs to analyze the collected data. The study concluded that MSEs in Merkato market exhibit unethical marketing practices in the area of product safety and price ethics. The researcher recommended awareness programs, strengthening consumer protection act, establishment of consumer associations in the area, arranging training programs for entrepreneurs on the importance of business ethics for entrepreneurial process, and integrating entrepreneurialism with business ethics in the higher education curriculum.

**Keywords:** Entrepreneurialism, Marketing ethics, MSEs, Unethical practices

## 1. Introduction

Globalization has brought various ideologies and practices to a common front without border and entrepreneurialism is not an exception. Entrepreneurship is the result of a disciplined, systematic process of applying creativity and innovation to needs and opportunities in the marketplace (Zimmerer and Scarborough, 2005). According to Cambridge online dictionary (2015), entrepreneurialism refers to the state of acting in an entrepreneurial manner by having skills that are necessary to start a business.

Entrepreneurs start businesses in different forms of which the most dominant stage is through micro and small business formation. According to Good Governance Program (2004), business enterprises today are facing a tough and highly competitive environment that diverts their attention from more of profit orientation to that of socially responsible entities. This is mainly because the world understood and accepted that a business enterprise always remains a member of its community.

While entrepreneurs who succeed in the long term have a solid base of personal values and beliefs that they articulate to their employees and put into practice in ways that others can observe, ethical behavior starts at the top of an organization with the entrepreneur. Entrepreneurs' personal values and beliefs influence the way they lead their companies and are apparent in every decision they make, every policy they write, and every action they take (Scarborough, 2012).

Despite the increasing number of entrepreneurs and entrepreneurial business firms, the issue of business ethics remains at the top. According to Ferrell (2011), although accounting fraud has been the hot news lately, many unethical practices relate to marketing activities of organizations. Thus, marketing ethics is part of the business ethics whose awareness created a general trend in business thought and practice towards focusing greater attention upon the parallel interests of buyers and sellers (Vermillion, et al, 2002).

A long list of topics falls under the topic of marketing ethics. Some of the most prevalent are: product safety and liability, advertising truthfulness and honesty, fairness in pricing, power within the channels of product, privacy in Internet and database marketing, and forthrightness in selling (Murphy, 2002).

In the capital city of Ethiopia, Addis Ababa Merkato Market, unethical marketing practices were prevalent among small businesses (Abdulnasir, 2015) and one typical event that proves this situation is the establishment of the Ethiopian Corporate Governance Institute in 2013. According to Aderajew (2013), this institute was established to govern business ethics and codes of conduct of private companies in the country. However, after its establishment there are still gaps in governing ethics of business firms in general and MSEs in specific in the country. Thus, this study assessed the current state of entrepreneurialism and Marketing Ethics of micro and small-scale entrepreneurial firms around Merkato market and forwards possible solutions.

## 2. Review of Related Literatures

### 2.1 Definition

#### *Entrepreneurship*

The last several decades have seen record numbers of entrepreneurs launching businesses. One important indicator of the popularity of entrepreneurship is the keen interest expressed by students in creating their own businesses. Increasing numbers of young people are also choosing entrepreneurship as a career rather than joining the ranks of the pinstriped masses in major corporations (Scarborough, 2012).

There is no single definition of entrepreneurship as there have been no consensus on even one. However, this study uses a definition of Kuratko & Hodgetts (2004), which defines entrepreneurship as a dynamic process of vision, change and creation.

#### **Entrepreneurialism and Ethics of Business Firms**

Entrepreneurialism, being viewed as a much-admired facet of the business world, secured too much goodwill without much analysis of its practices, especially ethical business practices (Errigo, 2012). The strategies of big enterprises have generally carved success from conventional business criteria, supported by structures formed to achieve this. Notably, the addition of ethical criteria into the success mix in the past has been more random, determined by prevailing forces at play, including structural and cultural enablers and constraints. Currently, there is more recognition that ethics are becoming more important for the MSEs sector as the success of such firms depends, among other factors, increasingly on their integrity (i.e. ethical behavior) and the founder-entrepreneur's acumen and benevolent character (Kakabadse, et. al, 2011).

According to Errigo (2012), an entrepreneurial firm established on good ethical principles has a direct link to the successful legacy of such a company. This legacy endures throughout the founding phase and throughout the ethical life of an organization.

#### *Marketing and Marketing Ethics*

Marketing can be defined as an a set of organizational processes intended for creating, communicating, and delivering value to customers in ways that benefit the organization and its stakeholders (Dacko, 2008).

In recent years, a number of scandals resulted in public annoyance and a demand for improved business ethics (Ferrell, et al., 2011). Scholars define marketing ethics in terms different perspectives. From normative and positive perspectives, Laczniak (2008) described marketing ethics as follows;

“As of normative view marketing ethics refers to practices that emphasize transparent, trustworthy, and responsible personal and organizational marketing policies and actions that exhibit integrity as well as fairness to consumers and other stakeholders. From a Positive perspective, it refers to the principles and standards that looks at marketing practices from the standpoint of "what is"”.

From the stakeholder point of view, Pride & Ferrell (2012) defined Marketing ethics as principles and standards that define acceptable marketing conduct as determined by various stakeholders. This paper also focuses on the stakeholder approach to marketing ethics.

### 2.2 Marketing practices and ethical issues

In business organizations, marketing practitioners need to make decisions, among others, about ethical questions that relates to product, price, promotion, and placement. In this study, the ethical issues related to product and prices are assessed. This is because of absence of well established promotional and distribution practices by the MSEs in the area.

#### **Product safety**

Product, being a bundle of benefits, is more than just the sum of its physical characteristics rather it consists of fringe elements such as the brand image, the way the product is packed and delivered, even the color of the box it comes in (Blythe, 2005). Failing to think long term by neglecting product safety may result in losing the competition. Though there are many issues related to product, most common ethical issues in the area of product relate to the safety of products (Laczniak, 2008).

#### **Pricing**

The area of pricing is the most difficult to assess fairly compared to that of other areas (Laczniak, 2008). As stated by Blythe (2005), price fixing, predatory pricing (pricing below the cost of production in order to bankrupt competitors) and not revealing the full cost of purchase Price are the major ethical issues in pricing.

#### **Placement/Distribution**

People can only buy products that are available and easily obtained. Because of such behavior, marketers spend considerable effort on finding the right channels of distribution, and on ensuring that the products reach consumers in the most efficient way. Distribution ethics involve abuse of power in channel management, and failure to pay for goods within the specified credit terms. Some stores operate no-quibble sale-or-return contracts, which mean that manufacturers have to accept damaged goods back, even when there is no fault in the manufacture: this has been seen as unethical by some smaller manufacturers, who have little negotiating power and few choices of outlet for their products (Blythe, 2005).

## **Promotion**

The practice of marketing involves many ethical decisions. While consumers are tolerant of many marketing practices that present a firm's offering in a favorable light, ethical marketing recognizes that such practices and others may benefit from greater scrutiny to ensure they are morally acceptable (Dacko, 2008).

The role of advertising in society has been a debatable issue for centuries. Advertising ethics is a topic that has commanded the attention of philosophers, practitioners, scholars, and theologians. (Drumwright & Murphy, 2004). Additionally, consumer-oriented sales promotions (including practices such as coupons, premium offers, rebates, sweepstakes, and contests) are unethical when the sales promoter offers consumers a reward for their behavior that is never delivered. Sweepstakes and contests are potentially unethical when consumers think their odds of winning are much greater than they actually are (Shimp, 2007).

## **3. Methods and Instruments**

### ***3.1 Research Design and Approach***

The researcher used descriptive, cross sectional study design in order to assess marketing ethics practices and entrepreneurial activities under the study area. Additionally, the study employed mixed approach.

### ***3.2 Target Population***

Addis Ketema sub-city, being one of the densely populated areas in Addis Ababa city, has 6 market areas of which 'Merkato' is well known for its intense business activities and high interaction of business firms and consumers (Finance and Economic Development office, 2010). The target populations in this study were consumers of male and female clothes in Merkato area within the daytime excluding Sunday.

### ***3.3 Sample size, technique, and procedure***

The researcher calculated sample size from infinite population using the sample size determination formula presented in Kothari (2004). Therefore, the number of respondents taken was 267 plus 5% contingency (280 consumers) to compensate invalid responses. Besides this, purposive sampling was used to select Merkato area from other parts of the city. This is because Merkato area is well known for its intense business activities. From this area, the researcher took response from 280 sample respondents using venue-sampling technique.

### ***3.4 Data type, tools, and Sources***

The researcher used both primary and secondary sources of data in order to gather relevant information. From the primary data, the researcher distributed self-administered questionnaire to the selected respondents in the form of 5-point likert scale. From the secondary sources of data, the researcher used reports about status of entrepreneurial micro and small business firms from central statistics agency (CSA) and Addis Ababa City Bureau of Communication Affairs.

### ***3.5 Data processing and analysis***

In this section, the researcher performed the data editing, coding, entry and cleaning activity in order to check the consistency of the data using SPSS version 20. The researcher employed both qualitative and quantitative methods of analysis. The researcher used simple descriptive statistics (like frequency, percentage) to analyze the results quantitatively using SPSS software. Additionally, the researcher supported the analysis with thematic explanation of the respondents' opinions for short answers (open-ended questions) through the designed questionnaire.

## **4. Results and Interpretation**

### ***4.1 Results of Secondary Data***

#### **Entrepreneurial Activities by Micro and Small Businesses in Addis Ababa City**

Ethiopia has a long history of entrepreneurship tradition that began when the Aksumite kingdom was a trading hub more than 2000 years ago. In Recent years, the entrepreneurship development program (EDP), which was established in 2013, has proved to be the producer of new generation of entrepreneurs who will create job opportunities and contribute for the economic growth of the country (Jeffrey, 2016).

Another indication for the existence of entrepreneurialism in Ethiopia is the rise of the Gurage people (in southern nations and nationalities of Ethiopia) from subjugated rural minority group to the leading entrepreneurs (Worku Nida, 2006). Entrepreneurialism has been recognized as the spirit to act in an entrepreneurial manner (Cambridge online dictionary, 2013) and hence one of the catalysts to increase job creation and innovation in different countries including Ethiopia. One of the ways entrepreneurs create job opportunities is through the establishment of micro and small business enterprises.

Table 4.1: Job opportunities created by MSEs in Addis Ababa

Activity	Unit	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Job opportunities	Person	134,611	90,529	63,759	110,619	222,565	251,476

**Source:** Addis Ababa City Bureau of Communication Affairs, 2014

According to the data found in table 4.1 there is an increasing trend of job opportunities creation by micro and small businesses (MSEs). Accordingly, 134,611 people have got job opportunity in 2008/09. However, in the years 2009/10 and 2010/11 there was a decline in the number of job creations yielding 90,529 and 63,759 respectively. Starting from 2011/12 through 2013/14 there was an increasing trend in the job creation opportunities yielding 110,619, 222,565, and 251,476 respectively. In general, the above figure implies the increasing contribution of entrepreneurs and the resulting MSEs in terms of job creation in Addis Ababa city.

Additionally, the CSA (2014) data on unemployment indicates that the urban unemployment rate of the Country declined to (16.8%) in 2014 and Addis Ababa City Administration exhibited (21.2%) unemployment rate. Though the above figures show a decrease in unemployment rate compared to that of the previous years, there is still a need to accommodate the unemployed people through establishment and expansion of MSEs.

#### 4.2 Result of Primary Data

##### Demographic characteristics of the respondents

According to the survey conducted around Merkato area, there were 161 (33.2%) male respondents and 80 (66.8%) female respondents who participated in the study totaling 241 respondents.

With regard to the age of respondents, there were 72 female and 121 male respondents falling in the category of 18-29 (80.1%), 8 female and 39 male respondents falling in the category of 30-49 (19.5%), and 1 male respondent falling in the category of 50-64 (0.4%). This shows that most of the respondents were in young age group category.

The other item, education, reveals that majority of the respondents were under the category of diploma and above. To explain this, 5 (2.1%) of the respondents were illiterate whereas 10 (4.1%) of the respondents were categorized under 4-8 class. The other 65 (27%) of the respondents were under the category of 8-12 class, 105 (43.6%) of the respondents were under the category of diploma, and the remaining 56 (23.2%) respondents were under the category of first degree and above. This shows that most of the respondents can easily understand their business environment.

##### Product Safety

###### Product quality

Based on the survey result, 87 (36.1%) consumers showed their agreement on provision of poor quality products by MSEs While 84 (34.9%) respondents disagreed on the provision of poor quality products. The remaining 70 (29%) respondents remain neutral on this issue. Holding the above results, the product quality issue scored a mean of 2.96.

From the above finding, it is clear that MSEs in Merkato area provide poor quality products to their consumers. In countries, like Ethiopia, it is common practice to provide inferior quality products with low cost, mainly because of the economic status of the society. This was supported by a comment from one of the respondents saying 'I have been active consumer from the MSEs but what makes me feel bad is the inferior quality of products they provide and I am forced to purchase that product because I do not have enough money'.

In fact, we cannot conclude economic capacity alone forces people to purchase inferior quality products. However, there are many factors, one of which is absence of consumer protection act. Concerning this, another respondent commented that 'I am forced to purchase inferior quality products while I am expecting good quality products mainly because no one is controlling firms' activities'. The issue of controlling firms' activity is one of the major ingredients in consumer protection act. This is in line with what Reddy & Rampersad (2012) addressed in their study about consumer protection act in South African businesses.

##### Outdated products

The survey result shows that 93 (38.5%) respondents indicated their disagreement that MSEs provide outdated products. Whereas, 72 (29.9%) respondents showed their agreement that firms provide outdated products. The remaining 76 (31.5%) respondents remain neutral. Overall, the item scored a mean value of 2.82.

##### Absence of truth telling

With regard to absence of truth telling the survey indicated that most of the respondents, 104 (43.1%) respondents showed their agreement that MSEs do not tell truth about the product. On the contrary, 93 (38.6%) respondents showed their disagreement that MSEs do not tell truth about the product. The remaining 44 (18.3%) respondents were neutral. Overall, the item absence of truth telling scored a mean of 3.05.

##### Do not excuse for timing problem

Majority of the respondents, 109 (45%) respondents showed their disagreement that MSEs do not excuse for timing problem. Whereas, 94 (39%) respondents showed their agreement that MSEs do not excuse for timing problems. The remaining 38 (16%) respondents remain neutral. Additionally, this item has a mean score of 2.9.

### **Selective service for some clients**

When consumers purchase commodities, they may face discrimination from the marketers. This was supported by the survey result among cloth consumers in Merkato market. Accordingly, 112 (46.5%) respondents showed their agreement on the existence of selective service for some clients. Whereas, 83 (34.5%) respondents showed their disagreement that MSEs give selective service for some clients. The remaining 46 (19%) respondents remain neutral on the issue. The mean score for this item was found to be 3.1.

### **Sell products as if they are unavailable in other stores**

Most of the respondents, 127 (52.7%) respondents showed their agreement that MSEs sell products as if the products are unavailable in other stores. On the other hand, 81 (33.6%) respondents showed their disagreement that MSEs sell products as if unavailable in other stores. The remaining 33 (13.7%) respondents were neutral. Accordingly, this item has a mean score of 3.23.

### **Pressuring consumers to make purchase**

Pressuring consumers to make purchase is one of the issues that create ethical dilemma among purchasers. According to the survey result, however, 101 (41.9%) respondents showed their disagreement that MSEs pressure consumers to make purchase of poor quality products. On the contrary, 93 (38.6%) respondents showed their agreement that MSEs pressure consumer to make purchase. The remaining 47 (19.5%) respondents reported that they are neutral. This item scored a mean score of 2.91.

### **Not returning defective products**

According to the response of consumers, 121 (50.1%) respondents showed their agreement that MSEs do not return defective products when in fact they have to return it. Whereas 83 (34.5%) respondents showed their disagreement that MSEs do not return defective products. The remaining 37 (15.4%) respondents remain neutral. Overall, this item in the scale of product safety scored 3.28 mean score. In general, the eight items mentioned above imply the existence of unethical practice in the product safety aspect.

### **Pricing issues**

#### **Charging set price for a single item**

According to the survey result, 111 (46.1%) respondents showed their disagreement that MSEs charge set price for a single item or product. On the other hand, 71 (29.5%) respondents showed their agreement that MSEs charge set price for a single item or product. The remaining 59 (24.5%) respondents remain neutral. Overall, the first item exhibited a mean score of 2.81.

#### **Providing high priced products only**

The other pricing issue is providing high priced products deliberately whereas low priced products were available in the shop. With respect to this issue majority of the respondents 110 (45.6%) consumers showed their disagreement that MSEs provide high priced products deliberately. On the contrary, 98 (40.7%) respondents showed their agreement that MSEs provide high priced products deliberately. The remaining 33 (13.7%) respondents remain neutral. This item, from the list of pricing issues, scored a mean of 2.91.

#### **Charging high price**

The third item from the list of pricing issues is charging high price (skimming price) for products whereas the products should be sold at normal price. Accordingly, the survey result indicated that 94 (39%) consumers showed their agreement that MSEs charge high price for products. However, 88 (36.5%) respondents with showed their disagreement that MSEs charge high price for products. The remaining 59 (24.5%) respondents remain neutral and the overall mean score for this item was found to be 3.01.

#### **Price fixing**

The other element, with majority of the respondents said it exists is price fixing. According to the survey result, 112 (46.4%) respondents showed their agreement that MSEs fix price with their associates. On the opposite side, 69 (28.7%) respondents showed their disagreement that MSEs fix price. The remaining 60 (24.9%) respondents said they are neutral making the overall mean score of this item 3.24.

#### **Charging different price for the same product**

Finally, 141 (58.5%) respondents showed their agreement that firms charge different price for the same product, 58 (24%) respondents showed their disagreement that firms charge different price for the same product, and 42 (17.5%) respondents remain neutral. Overall, this item scored a mean value of 3.49.

Hence, the above result implies that consumers are discriminated by MSEs in Merkato market, which is unethical practice. In general, the above-mentioned issues that are related to price show unethical market practice.

## **5. Conclusion and Recommendation**

### **5.1 Conclusion**

Though it is difficult to consider all MSEs as entrepreneurial firms, there is an increased creativity, innovation, and opportunistic behavior exhibited by the firms, which makes them entrepreneurial. In Addis Ababa City MSEs contributed a lot for reducing unemployment and introducing innovation. Besides the positive contribution of MSEs in the study area, Most of the consumers responded that the MSEs provide poor quality products, do not tell



the complete truth about product to consumers, discriminate consumers, deceive consumers, and do not return defective products. Additionally, MSEs charge high price for products that should be fair enough if charged with normal price, fix price by forming a group, and charge different price for the same item or product. Generally, the market ethics survey calls for amalgamating business ethics and entrepreneurialism in the study area.

### 5.2 Recommendations

It is worth for educational institutions and other consultancy firms to focus on the integration of business ethics and entrepreneurialism. This could be done by arranging training programs for entrepreneurs on the importance of business ethics for entrepreneurial process. Additionally, it is recommended for higher Education institutions to integrate entrepreneurialism with business ethics in their curriculum.

It is advisable for concerned government bodies to bring more ethical and competitive firms to the market so that high competition in the market will benefit consumers in a way that small business firms in Merkato market provide quality cloth products. One way to accomplish this could be bringing competitive cooperative firms. Additionally, Concerned government bodies like Ethiopian Corporate Governance Institute need to speed up the implementation of consumer protection act in the country so that the act protect consumers from price fixing and other unethical market practices.

It is better for marketers to tell consumers the complete truth about the product that they are selling. This can be done by establishing a proper information system for cloth products so that the information about products (price, grade, country of production, etc) can be displayed in major malls. Additionally, the information boards help consumers to differentiate those items with supplementary packages.

It is worth for MSE owners to attach a price tag in the cloths so that they can provide products to consumers without price discrimination. Besides this, it is highly recommendable for MSE owners to establish assurance policy on defective products. This warranty policy helps consumers to return defective cloth products to shops where they purchase the product. The warranty policy not only benefits consumers but also it benefits MSE owners in a way that they also get trust from consumers.

It is also advisable for consumers to form a consumer association that can monitor unethical marketing practices in the market like charging high price for products that should be fair enough if charged with normal price.

Cloth manufacturers need to attach a sticker to clothes that cannot be easily altered or faded so that their brand may not be easily counterfeited. Additionally, it is better if manufacturers add special tags in the clothes to differentiate them from others.

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## Appendices

### Appendix I: Statistical tables

**Table 4. 2: Product safety issues**

Res	PQ*		OP*		AT*		SSC*		SAS*		PC*		NRD*	
	freq	%	freq	%	freq	%	freq	%	freq	%	freq	%	freq	%
SD	33	13.7	43	17.8	33	13.7	37	15.4	32	13.3	38	15.8	39	16.2
D	51	21.2	50	20.7	60	24.9	46	19.1	49	20.3	63	26.1	44	18.3
U	70	29.0	76	31.5	44	18.3	46	19.1	33	13.7	47	19.5	37	15.4
A	66	27.4	51	21.2	70	29.0	79	32.8	85	35.3	69	28.6	53	22.0
SA	21	8.7	21	8.7	34	14.1	33	13.7	42	17.4	24	10.0	68	28.2
Tot.	241	100	241	100	241	100	241	100	241	100	241	100	241	100
X	<b>2.96</b>		<b>2.82</b>		<b>3.05</b>		<b>3.10</b>		<b>3.23</b>		<b>2.91</b>		<b>3.28</b>	
M	<b>3</b>		<b>3</b>		<b>4</b>		<b>4</b>		<b>4</b>		<b>4</b>		<b>5</b>	
SD	<b>1.177</b>		<b>1.206</b>		<b>1.287</b>		<b>1.295</b>		<b>1.318</b>		<b>1.255</b>		<b>1.453</b>	

Source: survey, 2014

PQ = providing poor product quality

OP = outdated products

AT = absence of truth telling

SA= strongly agree,

SSC= selective service for some consumers

SAS = sell products as if unavailable in other stores

PC = pressuring consumers to purchase poor quality product

NRD = not returning defective product

SD= strongly disagree, D = disagree, U = undecided, A= agree,

X= mean, M= mode, SD= standard deviation

**Table 4. 3: Pricing issues**

Responses	CSP*		PHP*		CSP*		FP*		CDP*	
	freq	%	freq	%	freq	%	freq	%	freq	%
SD	32	13.3	35	14.5	31	12.9	24	10.0	22	9.1
D	79	32.8	75	31.1	57	23.7	45	18.7	36	14.9
U	59	24.5	33	13.7	59	24.5	60	24.9	42	17.4
A	45	18.7	73	30.3	67	27.8	72	29.9	85	35.3
SA	26	10.8	25	10.4	27	11.2	40	16.6	56	23.2
Total	241	100.0	241	100.0	241	100.0	241	100.0	241	100.0
Mean	<b>2.81</b>		<b>2.91</b>		<b>3.01</b>		<b>3.24</b>		<b>3.49</b>	
Mode	<b>2</b>		<b>2</b>		<b>4</b>		<b>4</b>		<b>4</b>	
SD	<b>1.203</b>		<b>1.268</b>		<b>1.218</b>		<b>1.222</b>		<b>1.252</b>	

Source: survey, 2014

CSP = charge set price or a single item

PHP = providing high priced products deliberately

CSP = charge skimming price

FP = fixing price of products

CDP = charging different price for similar product