The Impact of the Consumer Protection Act on SMEs in South Africa

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ABSTRACT

The purpose of this paper was to investigate the impact that the Consumer Protection Act,68 of 2008 (CPA), has had on small to medium business enterprises (SMEs) in South Africa. The factors that were examined are how the CPA has impacted the relationships that SMEs have with their suppliers, customers as well as their overall efficiency. South Africa, as a developing country which has experienced a political regime that has resulted in the vast majority of the population being uneducated and unaware of their basic rights as a consumer, is in much need of legislation which protects the unsuspecting consumer. To investigate these issues, data was drawn from a sample of 120 SMEs, 90 from Gauteng and 30 from the Western Cape via telephonic interviews with either owners or senior management of the organisation and was then analysed using a combination of descriptive statistics and correlation analyses. The analysis confirmed that the majority of SMEs have not been affected by the introduction of the CPA. Results from this study can potentially provide policy makers and SME owners with an insight into the impact that consumer-protective legislation has on businesses.

DECLARATION

I, Alexander Giannaros, declare that this research report is my own work, except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Business School of the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at this or any other university.

Signed at ……………………………………………………

On the …………………………….. day of ………………………… 2014

DEDICATION

This report is dedicated to my parents, Elizabeth and Pantelis Giannaros, as well as to my sister Margaux, for their unconditional support, patience, guidance and understanding with assisting me to realise my life ambition of success and happiness.

ACKNOWLEDGEMENTS

- My supervisor, Professor Boris Urban, your flexibility, guidance and assistance have been invaluable. Without you, this study would not have been completed with a coherent structure.

- Mr Hennie Gerber, the statistics expert and analyst, for assistance with the statistical analysis of the numeric data gathered from the research conducted in this paper.

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- All the respondents to the 120 completed questionnaires. Without their charitable offering of information and answering of questions, this research would not have been possible.

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1 INTRODUCTION

1.1 Purpose of the study

The purpose of this research was to identify the impact of the Consumer Protection Act on Small-Medium Enterprises (SMEs) in South Africa. This report investigated whether SMEs on the whole have been affected by the introduction of the CPA, which has been in full effect since April 2011, as well as which aspects of their business have had to be re-evaluated and which departments demand more attention to be spent on them in order to be compliant with the CPA, and ultimately maintain or improve their efficiency, competitiveness and profitability.

Potentially this study could provide guidance to entrepreneurs looking to make their business more dynamic and efficient and understand which aspects of their business, if any, are affected as a result of the introduction of the CPA.

1.2 Context of the study

In April 2011 the Consumer Protection Act, 68 of 2008 (CPA), was put into full effect in South Africa. The CPA's purpose is to protect consumers from the power of informed suppliers (Consumer Protection Act, 2008).

This is a very timeous and necessary piece of legislation in South Africa, as many consumers are not educated and also remain uninformed of what they are buying and what contracts they are getting themselves into, due to lack of expertise in the field and language barriers (Mail & Guardian, 2011). The CPA's role is to promote a fair consumer market where uninformed consumers are not taken advantage of by suppliers (Department of Trade & Industry, 2011)

To provide an idea of how the CPA protects consumers, a few examples of the regulations making up the CPA are (Wright, 2010):

- If a consumer buys anything from a supplier as a result of direct marketing (where that customer was personally spoken to or marketed at in order for the sale to take place), he has 5 working days as a ‘cooling off period’ where he will be able to return the merchandise for a full refund, providing the merchandise is still in reasonable condition.

- A mobile phone service provider is no longer allowed to automatically renew your 2 year contract without clear bilateral consent.
- Foodstuffs have to clearly list ingredients which should be brought to the attention of the consumer on the label
- If a second hand vehicle is sold to a consumer by a dealership, the dealership has to disclose any hidden defects. If he fails to do so and the defect arises within 6 months of the sale of the vehicle, the dealership is fully responsible for the expenses to repair the defect, and the consumer may even be entitled to a full refund.

A National Consumer Commission has been established to enforce the CPA and resolve disputes, much like the CCMA for labour disputes (Wright, 2010).

Fines resulting from not complying with the Act, range anywhere betweenR1 million to 10% of turnover, whichever is greater (Consumer Protection Act, 2008).

One can deduce from rational consumer behaviour and the recently introduced CPA that a tremendous burden and responsibility has been placed on a company or business which sells and supplies to consumers, as there will be an increase in the amount of informed consumers who will no longer tolerate substandard service or inferior quality merchandise.

An analysis of the effects the CPA has on SMEs aims to provide an understanding of how SMEs cope with the new regulations. The analysis investigates the implementation or existence of such systems and procedures such as returns, refunds, relationships with suppliers and consumers and the impact that these have on businesses with little or no systems, and often very limited cash flows.

1.3 Problem statement

1.3.1 *Main problem*

To identify the impact of the Consumer Protection Act on SMEs in South Africa, with particular focus on how it has affected the efficiency as well as the relationships SMEs have with their suppliers and customers in South Africa.

1.3.2 *Sub-problem 1*

To identify the impact that the 'cooling off period' element of the Consumer Protection Act has had on South African SMEs

1.3.3 *Sub-problem 2*

To identify the impact that the Consumer Protection Act has had on South African SMEs' relationships with their suppliers

1.3.4 *Sub-Problem 3*

To identify the impact that the Consumer Protection Act has had on South African SME's relationships with their customers

1.3.5 *Sub-Problem 4*

To identify the impact that the Consumer Protection Act has had on South African SME's efficiency

1.4 Significance of the study

The study fills a gap in that there is currently no specific research addressing the impact that the CPA has, or will have, on South African SMEs.

The introduction of the CPA is a relatively new shock to the South African economy, which has not given much opportunity for research to have been conducted on the topic. Furthermore, the fact that the CPA has been recently put into effect makes this research timeous and relevant for SMEs and entrepreneurs wanting to see the impact, effects and challenges of opening a company (or making a company 'CPA compliant') in South Africa as a result of the CPA. South Africa's economy is largely dependent on SMEs. According to Arbor and Quartley (2010), 91 percent of formal business entities in South Africa are SMEs, contributing between 52 and 57 percent to the country's GDP, and about 61 percent to employment.

Since SMEs account for such a considerable proportion of the South African economy, it makes logical sense that a clear understanding of what stimulates this sector of the economy, and what attracts dynamic entrepreneurs to enter this sector in the South African economy, is valuable.

Furthermore, on the other side of the entrepreneurial spectrum, according to the Global Entrepreneurship Monitor's 2011 report on High-Impact Entrepreneurship (Morris, 2011), High-Impact Entrepreneurs do not rely heavily on exports to grow their business. From this, one can deduce that the majority of their sales would be to South African consumers, hence the importance of the CPA regarding High-Impact entrepreneurs.

This indicates that the impact that the CPA has made on SMEs should be significant to the South Africa's economy.

The study provides guidance to entrepreneurs planning on starting up a small company who wish to understand the additional requirements, systems and challenges, as well as the benefits they may encounter when they establish a small-medium company.

Small business owners aiming to understand the effect of the CPA on their business, and those aiming to make their organisation CPA compliant will be able to predict and accommodate for the challenges and benefits experienced as a result of the application of the CPA.

Government organisations, legislators and national economists would also gain a better understanding of the impact this legislation has had on SMMEs, which may assist them to make more accurate policy decisions.

Academics and students of entrepreneurship will also benefit from this study in the sense that they will get a better grasp of what to take into account before starting up a business, and the consequences of not accommodating for the CPA.

1.5 Delimitations of the study

This study will only address the impact of the CPA on SMEs domiciled in South Africa.

It will not take into account the effects the act has had on

- large organisations and companies
- franchises
- governmental organisations
- consumers (consumers being end-users)
- micro-businesses

Only directors or owners of SMEs will be interviewed.

1.6 Definition of terms

- CPA – Consumer Protection Act 68 of 2008
- SME – Small and medium enterprises. This comprises of the following categories:
  - Small enterprises – These constitute the bulk of SMEs, which have anywhere between 2 and 50 employees. They will usually have premises and a registered business (Chalera, 2007).
  - Medium enterprises – These are difficult to categorise, but at the upper limit have 200 employees, and capital assets of around R15 million (Chalera, 2007).

Challenge – Any form of inconvenience, inefficiency, operational obstacle or business cost resulting from the implementation of the CPA

Benefit – Any form of advantage, benefit, operational efficiency or business gain resulting from the implementation of the CPA

Consumer –Either a natural person with unlimited annual revenues or a juristic person whose annual turnover does not exceed R2 million (Standard Bank, 2011)

High-Impact Entrepreneur – An entrepreneur who experiences an annual growth in the number of employees to be in excess of 20% per annum since the beginning of the business (Morris, 2011)

1.7 Assumptions

a. The sample is able to share information on the challenges and benefits experienced due to their seniority in the organisation. Lack of knowledge of the challenges and benefits would negatively affect the credibility of the study.
b. The total number of respondents is sufficient to gain adequate data.
c. The information of the effects experienced by the introduction of the CPA is conveyed honestly and truthfully by the respondents. False data would have a severely detrimental effect on the study's results.
d. The respondent sample reflects the general experiences of the business within which they work. Non-representative views would skew the results of the study and reduce its validity.

2 LITERATURE REVIEW

2.1 Introduction

This section contains a literature review on the key themes of relevance to the study. The first area of relevance is a background understanding of entrepreneurship, SMEs and their role in the world economy, honing down to the South African economy. The South African economy as a whole is explored, breaking down the economy into 4 sectors: manufacturing, wholesale, retail and services. Following this, the CPA is unpacked, with particular focus on the aspects of the CPA which are expected to have an impact on SMEs. After this, the CPA is discussed and its integration into the South African economy, as well as economic effects of similar legislation in foreign countries is explored.

The first topic of discussion is on the impact that the cooling off period which the CPA has on SMEs. Second, the effect that the CPA has on SMEs' relationships with their suppliers is discussed, followed by how SME's relationships with their consumers and customers have been affected. The final area of focus is how the CPA has affected SME's efficiency. The literature review finishes with a conclusion of the key findings. One must note that very little literature exists relating to the impact of the CPA on SMEs and South African businesses as a whole.

2.2 Background Discussion

2.2.1 *SMEs AND THE WORLD ECONOMY*

With respect to the Organisation for Economic Co-operation and Development(OECD),which has 30 member countries, including most of Europe, Australia, Canada, Japan, Korea, Mexico, New Zealand and the United States, SMEs account for over 95 percent of enterprises and generate over half of private sector employment (Lucaks, 2005).

In the USA, the SME's are responsible for over 50 percent of the private employment (Ou, 2006)

In the European Union, SMEs consist of 98% of an estimated 19.3 million enterprises, providing around 65 million jobs and almost all of these are small enterprises, with 18 million enterprises (93.2%) employing less than ten people and only 35,000 enterprises employing more than 250 people (Lucaks, 2005)

These figures illustrate that SMEs consist of the vast majority of business enterprises internationally.

2.2.2 *SMEs AND THE SOUTH AFRICAN ECONOMY*

According to Arbor and Quartley (2010) 91 percent of formal business entities in South Africa are SMEs, contributing between 52 and 57 percent to the country's GDP, and about 61 percent to employment.

Furthermore, the number of employers in the small and medium enterprise (SME) sector has risen by 6% year on year, according to the latest Absa SME Index (Schussler, 2013).

From this, one can deduce that the trend is that SMEs are significant in the world economy and are playing a larger role in the South African economy than ever before (Barnard, 2011).

A number of studies demonstrate that SMEs are the key propellers in job creation, and that the contribution made by SMEs in developing countries is more pronounced than in developed countries (SBP, 2013).

As significant as SMEs are in the development of the South African economy, unfortunately 75 percent of SMEs fail within the first 2 years of operation (Fatoki, 2011), although the primary reasons for SME failure are said to be attributed to financing challenges (Beck, 2007) and the high crime rate, where businesses have to incur large costs to ensure the safety of their stock as well as their customers' peace of mind (Cant, 2013).

2.2.3 *THE SOUTH AFRICAN ECONOMY*

Along with the rest of the world, South Africa was also affected by the global financial crisis of 2008, although it is a developing economy (Padayachee, 2010). This had a negative effect on the real growth rate, as illustrated by the graph below.

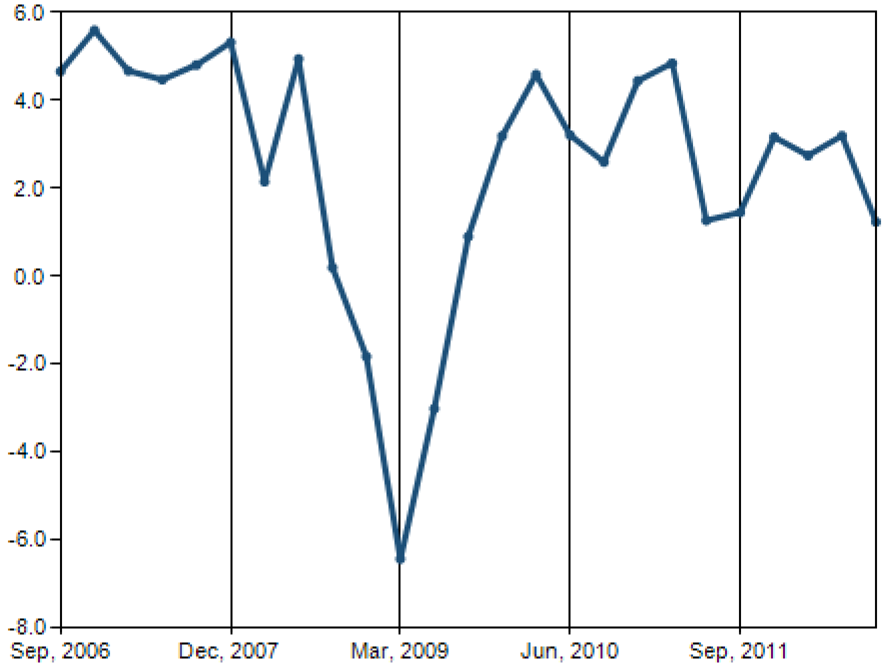

Figure 1: South African Real Growth Rate (SARB, 2014)

As one can see, the real growth rate (which is the growth rate of the economy adjusted for inflation) which took a negative shock between 2008 and 2009, recovered by 2010, however it still appears to have a downward-sloping trend, taking seasonal cycles into account. This indicates that real growth rates seem to be on the decline. This could be attributed to the inflation rate increasing at a higher rate than our nominal growth rate (with our CPI sitting at 5.4 percent (Statssa, 2014)) or it can indicate that the South African economy is becoming less and less efficient year on year, requiring greater resources to add value to products.

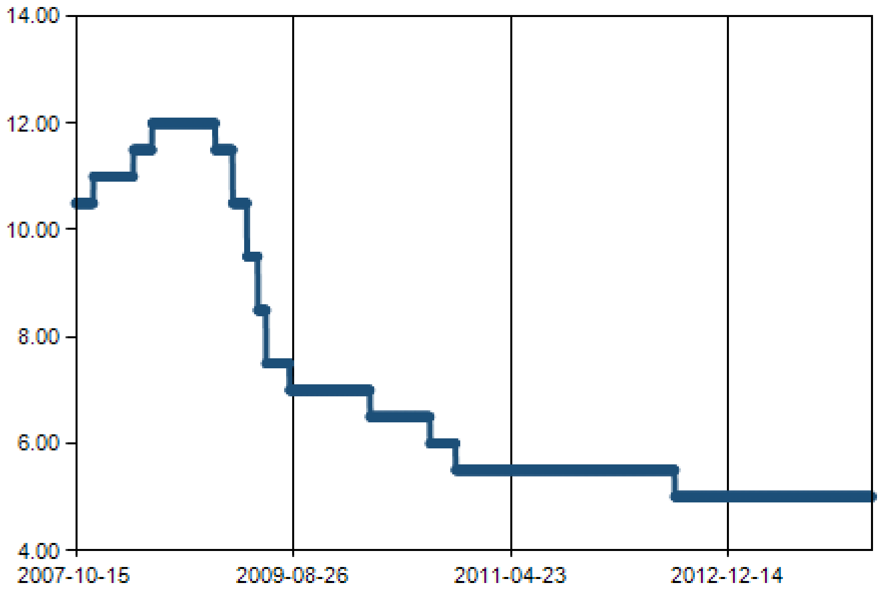

Figure 2: South African REPO Rate (SARB, 2014)

The South African Reserve Bank has adopted a monetary policy which focuses on price stability with the core interest being to reduce uncertainty and encourage sustainable economic development and growth. The primary tool which they used to do this is by fixing the REPO rate as an attempt to curb inflation. Considering the fact that the South African Reserve Bank has done practically all it can to stimulate the economy (by reducing the REPO rate in order to reduce the price of money and ultimately increase spending), it appears to have helped bring our real growth rate figures into the positive from the global financial crisis shock, however it appears to have had little effect on the long run real growth rate trend the South African economy is experiencing.

Many economists were of the view that the South African economy might have been sheltered from the global financial crisis of 2008 due to the fact that South Africa's economy largely depends on its mining and export of gold and since the price of gold always increases during times of economic instability, this would have acted as a great hedge against the declining global economy.

As one will see in the below, although the price of gold reached unprecedented highs, making certain previously unviable mining projects now economically viable, and ultimately encouraging the supply along with the increased demand for gold, this did not mean that the manufacturing, wholesale, retail and services sectors of the economy remained unaffected, as they have no direct link to gold and its price.

Figure 3: 10 Year Historical Gold Price (GoldPrice Org, 2014)

Nonetheless, it is clear to assume that the global financial crisis had a notable effect on the South African economy.

2.2.4 *SECTORS WITHIN THE SOUTH AFRICAN ECONOMY*

For simplicity purposes, the analysis of the South African economy has been split up into 4 sectors: manufacturing, wholesale, retail and services. These are each going to be discussed individually in order to get a grasp of how the South African economy is made up.

Table 1: MANUFACTURING SECTOR

MANUFACTURING DIVISIONS	PERCENTAGE WEIGHTING IN SA ECONOMY
Petroleum, Chemical Products	25.1%
Food and Beverages	22.1%
Iron and Steel Products and Machinery	20.3%
Wood and Paper Products, Printing	9.3%
Motor Vehicles, Parts and Accessories	7.9%
Glass, Non-Metallic Mineral Products	4.9%
Textiles, Clothing, Leather, Footwear	3.5%
Furniture and other Manufacturing	3.2%
Electrical Machinery	2.4%
Radio, TV and Professional Equipment	1.3%

(Statssa, 2014)

The majority of South Africa’s manufacturing sector produces petroleum and chemical products, closely followed by food and beverages and then, thirdly, iron and steel products. Interestingly, motor vehicles and components come in at 5th place with 7.9 percent, considering that South Africa manufactures large volumes such as the Mercedes C-Class and BMW 3 Series, amongst other models for VW , Ford and Toyota for the world market.

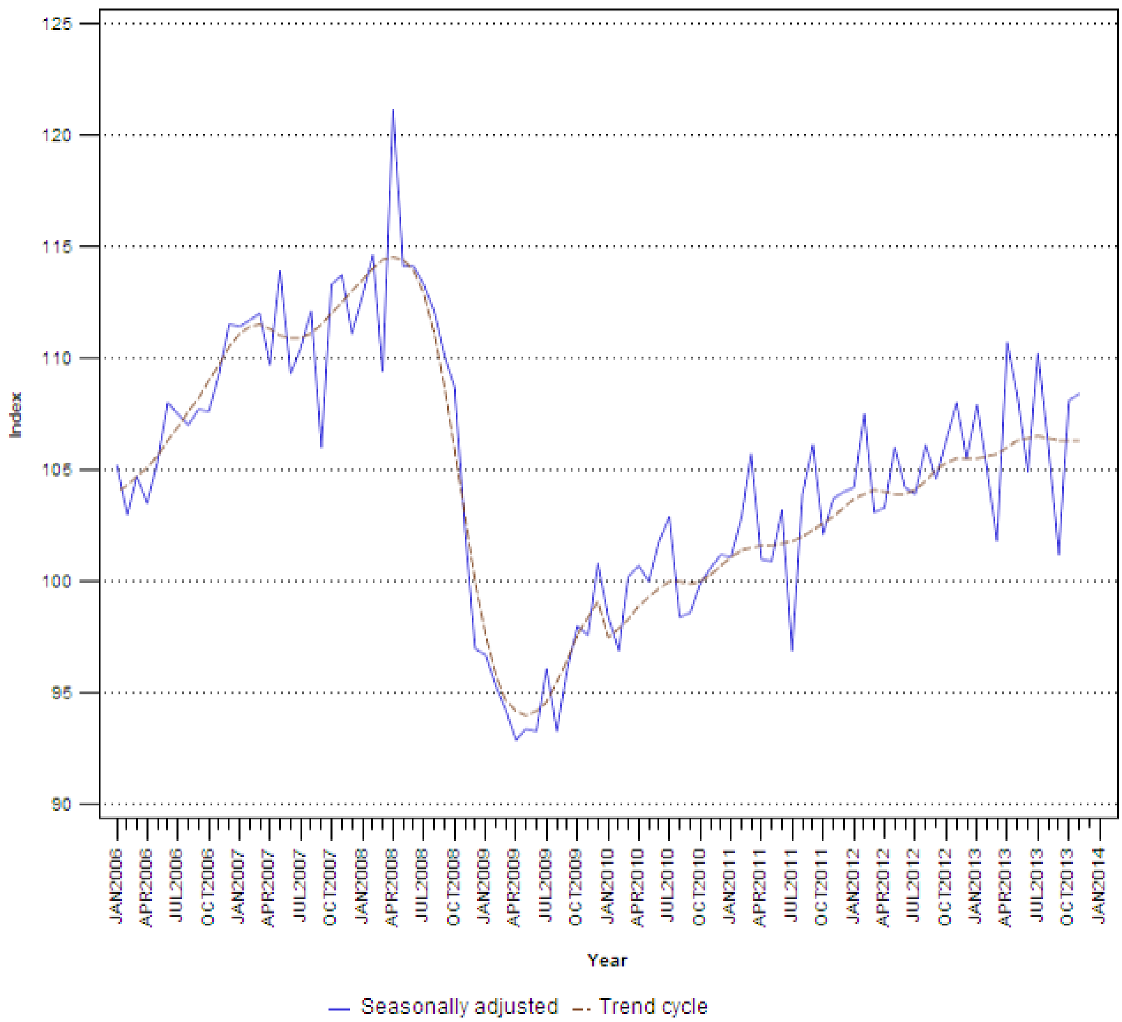

Figure 4: Index of Physical Volume of Manufacturing Production 2006-2013 (Statssa, 2014)

As one can see from the graph above, South Africa's manufacturing sector seems to increase consistently year on year, putting the global financial crisis aside. It also shows that the sector has recovered well from the financial crisis.

WHOLESALE SECTOR

Table 2: Wholesale trade sales at current prices for the latest three months by type of dealer (Statssa, 2014)

Type of dealer	Sep – Nov 2012 (R million)	Weight	Sep – Nov 2013 (R million)	% change between Sep – Nov 2012 and Sep – Nov 2013	Contribution (% points) to the total % change
Fee or contract basis	18 574	5,0	22 790	22,7	1,1
Agricultural raw materials and livestock	27 329	7,3	30 385	11,2	0,8
Food, beverages and tobacco	56 398	15,1	61 624	9,3	1,4
Textiles, clothing and footwear	9 656	2,6	10 298	6,6	0,2
Other household goods except precious stones	36 675	9,8	41 101	12,1	1,2
Precious stones, jewellery and silverware	5 227	1,4	8 678	66,0	0,9
Solid, liquid and gaseous fuels and related products	84 020	22,5	93 992	11,9	2,7
Metal and metal ores	10 418	2,8	10 648	2,2	0,1
Construction and building materials	19 259	5,2	20 730	7,6	0,4
Other intermediate products, waste and scrap	15 208	4,1	17 919	17,8	0,7
Machinery, equipment and supplies	49 036	13,1	58 237	18,8	2,5
Other goods	41 376	11,1	46 677	12,8	1,4
Total	**373 175**	**100,0**	**423 082**	**13,4**	**13,4**

The majority of wholesale traded products are in line with the manufacturing sector, being fuels and energy-related products, followed by food and beverages and then machinery and supplies.

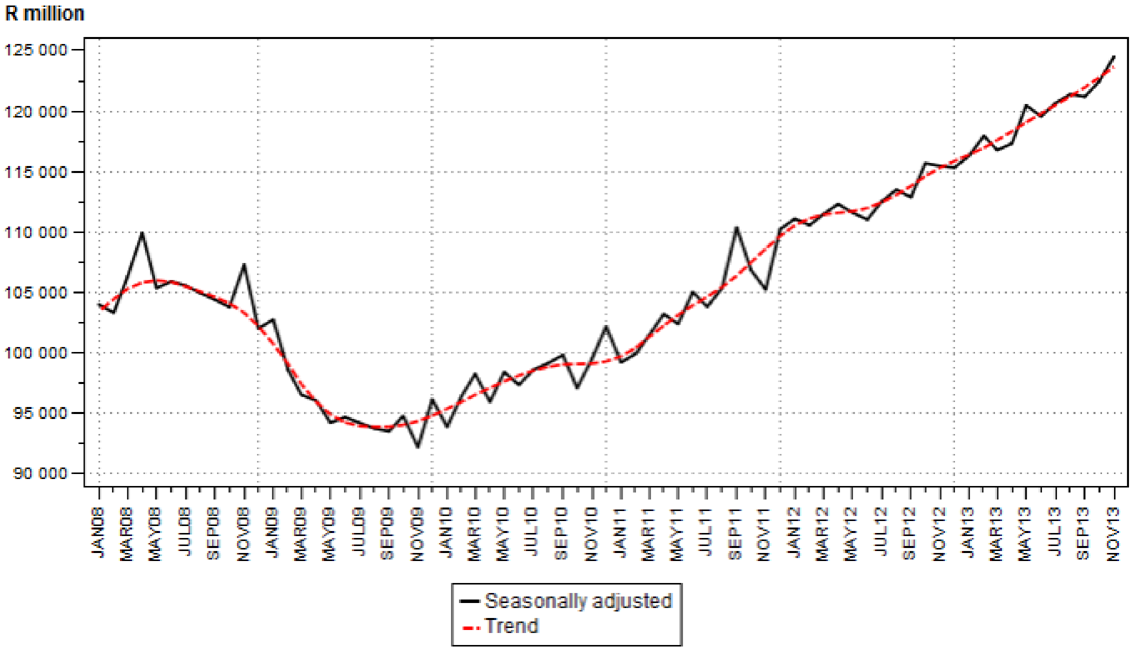

Figure 5: Wholesale Trade Sales at Constant 2012 Prices (Statssa, 2014)

As one can see from the graph above, wholesale trade sales are on a steady incline and showing consistent growth, with the global financial crisis having a negative impact on the sector. The wholesale trade sector appears to be growing at a steady rate of around 5 percent year on year.

RETAIL SECTOR

Table 3: Retail trade sales at constant 2012 prices by type of retailer (Statssa, 2014)

Type of retailer	Sep – Nov 2012 (R million)	Weight	Sep – Nov 2013 (R million)	% change between Sep – Nov 2012 and Sep – Nov 2013	Contribution (% points) to the total % change
General dealers	63 441	38,4	64 725	2,0	0,8
Food, beverages and tobacco in specialised stores	15 456	9,3	15 136	-2,1	-0,2
Pharmaceuticals and medical goods, cosmetics and toiletries	11 757	7,1	11 817	0,5	0,0
Textiles, clothing, footwear and leather goods	33 887	20,5	36 453	7,6	1,6
Household furniture, appliances and equipment	9 621	5,8	9 075	-5,7	-0,3
Hardware, paint and glass	14 004	8,5	14 557	3,9	0,3
All other retailers	17 148	10,4	16 806	-2,0	-0,2
Total	**165 315**	**100,0**	**168 569**	**2,0**	**2,0**

According to Stats SA, the majority of retail sales are made by general dealers. It does not however define what general dealers are, leaving the information rather vague. Textiles and clothing are the second most sold products in the retail sector, followed by food and beverages.

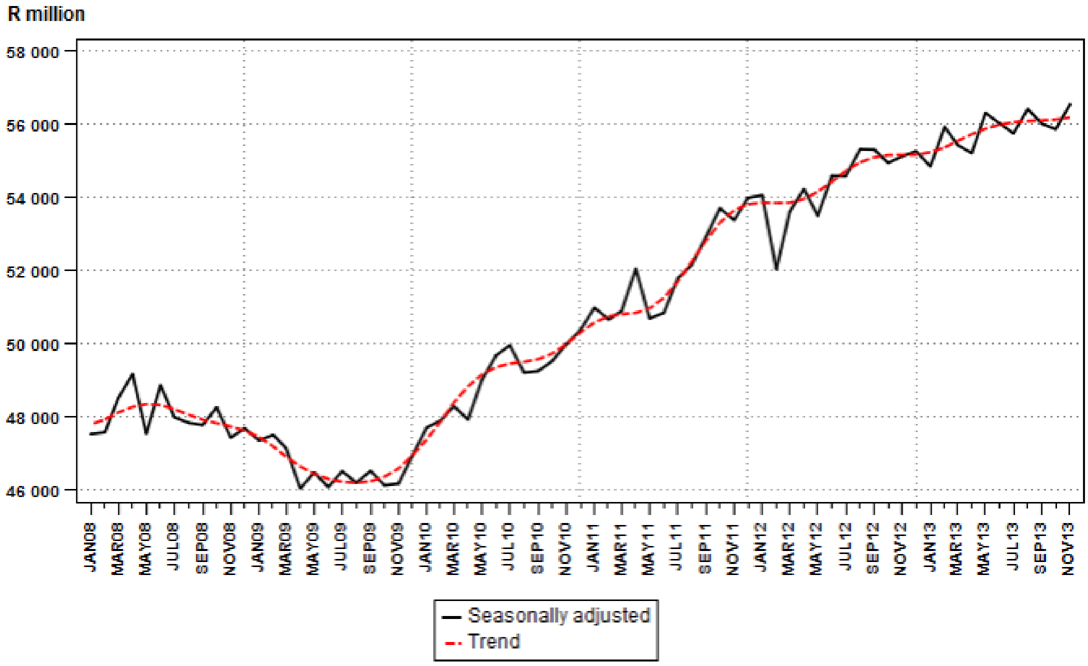

Figure 6: Retail Sector Sales at Constant 2012 Prices (Statssa, 2014)

As Stats SA indicates, the retail sector has, like the manufacturing and wholesale sectors, experienced persistent growth, excluding the effects experienced by the international credit crisis.

SERVICES SECTOR

The South African Services sector makes up 65 percent of GDP, 63 percent of employment and 74 percent of capital formation in South Africa. The largest sectors are community/social services which take up 18.6%, distribution services (14.5%), business services (11.2%), financial services (6.1%) and transport services (5.3%). (TIPS 2014)

The main challenges this sector experiences are the ability to obtain finance, building a client base and marketing (SEDA, 2012).

SUMMARY

All the data indicates that the South African economy has recovered from the global economic crisis, and that South Africa is experiencing consistent economic growth.

Another interesting aspect about SMEs in South Africa is that 60 percent of them are sole proprietors, with 32 percent being close corporations and the remainder being private and public companies and partnerships (Cant, 2013) This ties in with the fact that the CPA only applies to juristic persons with an annual revenue of under R2 million as well as all natural persons (CPA 2008), therefore because 60 percent of SMEs are operating as sole proprietors, then the CPA must apply, and ultimately should affect, the majority of SMEs.

2.2.5 *SOUTH AFRICA AND THE CONSUMER PROTECTION ACT*

Since South Africa is a developing country which has experienced clear socio-political changes as a result of the abandonment of Apartheid and a revolutionary, yet revolution-less change in government, amongst other things, we have experienced a considerable amount of contributions to legislation, such as a totally new constitution in 1994, the National Credit Act of 2008 and the CPA of 2008, just to mention a few of the more commercially significant legislative acts.

These pieces of legislation are necessary in their own ways in order to give citizens rights, as well as to protect them from the power of corporates, an imbalance or unfairness of information and the impulse of human nature.

The introduction of the CPA was established as a response to the recognition that “apartheid and discriminatory laws of the past have burdened the nation with unacceptably high levels of poverty, illiteracy and other forms of social and economic inequality” (CPA, 2008)

The core purpose of the act is to address the following matters (CPA, 2008):

1. To fulfil the rights of historically disadvantaged persons and to promote their full participation as consumers

2. To protect the interests of all consumers, ensure accessible, transparent and efficient redress for consumers who are subjected to abuse or exploitation in the marketplace
3. To give effect to internationally recognised customer rights; that recent and emerging technological changes, trading methods, patterns and agreements have brought, and will continue to bring, new benefits, opportunities and challenges to the market for consumer goods and services within South Africa; and that it is desirable to promote an economic environment that supports and strengthens a culture of consumer rights and responsibilities, business innovation and enhanced performance.

The attitude of the CPA is to make sellers and businesses responsible and accountable for their product quality, service standard and customer service, with the path for recourse being the ombud, the national courts or the tribunal.

The approach of passing the responsibility and change leadership onto larger organisations and businesses has proven to be a successful method, as has been shown in Europe, where vehicle manufacturers have had strict emissions standards to comply with in order to sell motor vehicles, as opposed to making consumers responsible for their emissions (Free StateBusiness Bulletin, 2003). Therefore one has faith in the effectiveness that the act will have. The ultimate test is whether the recourse institutions and checks and balances systems will maintain their integrity and enforceability strength (Mthembu, 2010).

THE CPA AND SOUTH AFRICAN BUSINESSES

The specific sections of the CPA and how they may affect businesses will be discussed. Due to the fact that not much literature on the CPA exists specifically to the CPA and businesses, this section draws from the CPA itself, as well as a legal document obtained from Standard Bank (Standard Bank, 2011) which expresses the actions which companies need to take in order to keep in line with the CPA and protect themselves from the legal implications of the changes instituted by the CPA.

First and foremost is how the business entity is represented. The Act has clearly stipulated that one can no longer use a 'Trading as' name which is not directly in line with the registered name of the business. This has been done so that consumers will not be misled by the name of the business (Standard Bank, 2011).

This may impact businesses whose 'trading as' name is significantly different from their registered name and they may have to undergo a re-registration of the name of their business, as well as attend to banking and accounting administrations.

Regarding agreements, the CPA also addresses unfair contracts. If a contract is considered to be one-sided or unfair to the detriment of the customer in any way, the customer is no longer bound by the agreement. The agreement must also be recorded in either writing or an audio recording if the agreement was made over the phone (Standard Bank, 2011) .

This may impact businesses which have contracts or agreements which have the potential to be interpreted as 'unfair'. These agreements have to be addressed and re-written or re-done completely in order for them to be enforceable and effective within the realms of the law.

This point leads on to contractual terms and renewals. The CPA has specifically focused on automatic contract renewals and has deemed them unfair and unreasonable. If a contract, such as a 2 year mobile phone contract, has expired, it is no longer allowed to be automatically renewed for a further 2 years, and can only continue on a month to month basis (Standard Bank, 2011) . In addition to this, a customer is able to cancel any contract by giving the company 20 business days written notice. Most important, the company is not allowed to charge the client a 'contract settlement fee' or 'early termination fee' which is more than 2 months of the contract's cash flows brought to a present value or 10 percent of the total contractual value. It must be noted that both these terms only apply to customers who are natural persons and not juristic persons, therefore this only affects the retail industry (Standard Bank, 2011).

This will result in companies having to put into place measures which remind customers of the expiry date of their fixed term contracts and has to give them 40 days advance notice.

Another way which this affects companies is now they can no longer reliably forecast their contractual income as it is no longer certain.

When it comes to other agreements such as bookings, reservations or cancellations, consumers will still have the right to cancel a reservation or booking, however companies or businesses have the right to charge a fair cancellation fee depending on how much cancellation notice was given as well as how easy it is to find a replacement customer to fill up the vacancy (Standard Bank, 2011) . The only time the business is not allowed to charge the cancellation fee is if the customer could not attend due to a medical emergency or death. The focus is on reasonableness.

The most affected industry is the airline industry, where overbooking often occurs. The CPA specifically deals with this scenario and stipulates that in the event of an overbooking, the airline is liable for the cost of the ticket plus interest plus immediate costs suffered by the client, such as rental car expenses etc. They are however not liable for unforeseen expenses such as missed business meetings or lost income due to the inconvenience caused.

This airline scenario is not anticipated to impact the SME sector of the South African economy, as the majority of commercial airlines are large corporations.

The CPA also addresses the issue of warranties and refunds which are attached to the purchases and sales of items or services.

The CPA has now legislated an ‘implied warranty’ which means that all consumers have 6 months to return ‘faulty or unsafe goods’ which were sold to them, unless the goods were tampered with or if the problem with the product is due to gross negligence or misuse of the product. What is significant about the legislated ‘implied’ warranty is that, because it is legislated, it overrides all company policies and agreements which revolve around warranties (Standard Bank, 2011). It has therefore standardised the aspect of warranties across all consumer sales.

The supplier will have the option to either repair or replace the item, or refund the client. If, however, the product had been sent back before under warranty and was repaired (and such repair carries a mandatory 3 month warranty) then the supplier has to either replace the item or offer a full refund to the client, regardless of wear and tear (Standard Bank, 2011).

As far as warranties and refunds are concerned, companies will have to factor in the costs of offering the mandatory six month warranty on their products if they have not offered such warranties before. This may often be passed onto their wholesaler; however they may still have to put systems in place which manage the repairs and refunds operations.

In addition to this, the ‘voetstoets’ clause in any contract of sale is no longer valid, implying that a supplier which sells a product with any defect, hidden or not, is not immune from the 6 month warranty and its consequences. In order for the supplier or seller to be protected from the consequences in the defect, this defect must have been clearly stipulated in the agreement (Standard Bank, 2011).

Regarding product liability, the CPA has now shifted the burden of responsibility on to the supplier, who has to prove beyond reasonable doubt that he was not responsible for any harm or injury caused to the consumer as a result of the use of his supplied product. This has the potential to put tremendous stress and a significant financial burden on suppliers as they will potentially have to consult their lawyers for every potential claim that might be targeted at them. On the other hand, this will also make sure that suppliers will be vigilant as to educating the consumer how to properly use their product and indicating the risks, as well as maintaining a high quality standard of the supplied products.

An additional risk born by the supplier is that if he is to supply grey goods to a consumer, he is fully liable for the warranty of the product, as it has no backup support within South Africa. The fact that the product is a grey good must also be communicated to the consumer via signage on the shop floor or in person (Standard Bank, 2011) .

This potentially puts a significant financial and administrative burden on the retailer, as he will have to lay out capital for signage and training of his staff, as well as bear the full cost of the warranty, or face potential legal action taken against him.

Leading on to marketing, the domain of direct marketing and inertia marketing was addressed by the CPA. The consumer has to consent to any form of direct marketing before the marketing takes place (Standard Bank, 2011) .

Regarding inertia marketing, the client has to be given the option to 'opt out' before the marketing campaign takes place.

In addition to this, sms adverts which require premium-rated sms responses are now no longer permitted by the act, and sms responses have to carry a standard sms charge (Standard Bank, 2011).

This means that companies will no longer be able to recoup their expenses relating to sms marketing campaigns, which may add to marketing costs for companies.

The CPA has also addressed the aspect of disclosure to the consumer. For example, a supplier or retailer has to disclose commissions earned off each sale, as well as interest rates, financing costs and sundry hidden costs which may be borne by the consumer and may not be apparent (Standard Bank, 2011).

As far as language goes, the CPA does not specify which language is to be used when communicating information to the buyer, however it clearly lays out that the language which is to be used must be appropriate for the people at which the product or service is aimed, assuming 'average literacy skills and minimal experience as a consumer' (CPA, 2008).

This means that companies may potentially have to revisit their labelling and marketing wording and descriptions in order to make sure that their literature is fully understandable by an uninformed consumer.

SME's and the CPA

Internationally speaking, the United Kingdom has had the Consumer Protection Act of 1987 in place for almost three decades now. Their Act primarily focuses on placing product defect liability on producers and manufacturers, and also works around similar boundaries and standards of reasonableness on which the South African equivalent is based, however is not nearly as encompassing as the South African act, as the South African Act has a far broader scope, touching on all round marketing, inertia selling and levelling the uneven power balance that corporates and organisations have over consumers.

Nonetheless, it covers civil liability caused by the consumer's use of a product, and has very strict consequences; however, there is no specific research available indicating the impact that this Act has had on the UK economy.

According to Rootma (2010), South African SMMEs performance is attributed to two sets of conditions: internal conditions and external conditions. Internal conditions are conditions over which the firm has control, such as general and strategic management, purchasing management, production management, marketing management, financial management, human resources management, business communication management and information management (Bosch, Tait& Venter, 2006). External conditions are conditions over which firms do not have control, such as economic, social, political and technological forces over which firms have no control (Mahadea& Pillay, 2008).

The introduction of the CPA potentially has an impact on both the internal and external conditions of firms, as for internal conditions, firms will have to put in place procedures and systems to handle the CPA returns and procedures, as well as the purchasing management (returns management and inventories). Marketing management may also be affected, as the regulations relating to labelling, advertising and inertia selling have particularly changed. Regarding the external conditions, the consumer intelligence and awareness of their new rights is something firms have no control over, however if they do not respond to these external changes, they may potentially experience a decrease in revenues and profits.

Professional associations are still uncertain as to the effects the CPA is going to have on the economy (IMIESA 2011)

The CPA has a handful of intentions for the South African economy, as well as its consumers. According to Wright (2010):

> "The purpose of the Act is to promote and advance the social and economic welfare of consumers in SA. The Act aims to achieve this through establishing a legal framework for maintaining a fair, accessible and efficient marketplace for consumers, reducing the disadvantages experienced in accessing goods/services by vulnerable consumers, protecting consumers from unfair trade practices, encouraging responsible consumer behaviour, promoting

> consumer empowerment and providing an efficient system of redress for consumers."

According to the Global Entrepreneurship Monitor's 2011 report on High-Impact Entrepreneurship (Morris, 2011), High-Impact Entrepreneurs do not rely heavily on exports to grow their business. From this, one can deduce that the majority of their sales would be to South African consumers, hence the importance of the CPA regarding High-Impact entrepreneurs.

In 2011, High-Impact entrepreneurs made up 4% of total entrepreneurs, but were responsible for 38% of total job creation (Morris, 2011). This demonstrates the importance of the stimulation, attraction and retention of High-Impact entrepreneurs in the South African economy in order to decrease unemployment and grow the South African economy.

2.3 The Impact that the 'Cooling off Period' Element of the Consumer Protection Act has had on South African SMEs

According to the CPA, direct marketing is allowed (where the individual was directly contacted in order for the marketing to be channelled and sale to be concluded), whereas negative-option marketing is not, to the point where if a negative-option sale has taken place, the agreement is void (CPA 2008).

This however still leaves space for direct marketing, as the CPA has put in place a 'cooling-off period' where the consumer has 5 working days to decide if he wants the item, and if they decide to return it they are entitled to a full refund (CPA 2008).

This leaves opportunity for costs to be incurred to the seller, as for example, if the dealer directly approaches an individual to sell them a motorbike and the buyer accepts the deal, the seller will now have to accept the 'used' bike a week from the date of sale. This means that he will no longer be able to sell the motorbike as 'new' as it has been used for a week, which will affect the value of his inventory.

2.3.1 *Proposition 1*

The ‘cooling-off period of the CPA will have an effect on South African SMEs.

2.4 The Impact that the Consumer Protection Act has on South African SMEs’ Relationships with their Suppliers

Since an entity which is supplied goods, even if it is to sell the goods or service further on to the end-user, is still considered a consumer itself, as long as it falls under the definition of ‘consumer’ as defined above. If this is the case, then all the laws that apply to the consumer can also apply to a business entity (as long as it fits the definition) and therefore it will have rights and remedies to use against its suppliers.

According to Posthumus (2011), the CPA will also affect the forms of contracts and agreements with suppliers and consumers. Terms relating to product delivery times and return policies will have to be amended if they do not conform to the CPA (CPA 2008).

2.4.1 *Proposition 2*

The implementation of the Consumer Protection Act will impact the relationship that SMEs have with their suppliers.

2.5 The impact that the Consumer Protection Act has on South African SME’s Relationships with their Customers

One of the many ways that the Consumer CPA is likely to impact a supplier’s business is the increased circumstances under which a consumer will be entitled to a refund (Charter, 2011). Continuing the example where a consumer purchases a motorbike from a dealer, according to the Act, the motorbike now carries a 6 month warranty. If the gearbox fails after 3 months, the dealer is obliged to repair the gearbox and if the repair fails again within a 3 month period from the repair, then the consumer has the right to get a full refund for the motorbike, or a full equivalent replacement. This creates the opportunity for disputes to arise between SMEs and their customers, as a retailer may resist repairing or replacing, since it costs him money or the customer may try to take advantage by abusing the merchandise.

Another example described by Pepper (2011) is in the medical industry, where patients are making considerably more claims against doctors and hospitals due to doctors' malpractice. This is resulting in greater malpractice insurance premiums payable by the doctors and hospitals, which increases their expenses. This cost will ultimately be passed onto the consumer which may place a strain on the relationship between doctor and patient.

Once again referring to Posthumus (2011), where the CPA affects the forms of contracts and agreements with suppliers and consumers, in business to business relationships, these contracts may have to be rearranged.

2.5.1 *Proposition 3*

The implementation of the Consumer Protection Act will impact the relationship that SMEs have with their customers.

2.6 The Impact that the Consumer Protection Act has had on South African SME's Efficiency

According to Cornelius (2011), there will be tremendous pressure on suppliers to have consistent quality control. This stands to benefit retailers as by having a consistent quality control system in place means fewer comebacks from consumers, which (in the long run) could lead to greater efficiency.

The responsibility on the supplier appears to go so far that, according to Luterek (2011), if goods are delivered to the wrong address, or the incorrect goods are delivered, the CPA provides that the delivery can become the property of the person to whom it was delivered, free of charge, if not collected in the prescribed time and in the prescribed manner. One can deduce that this puts tremendous focus on logistical efficiency which should improve the running of SMEs.

Non-compliance with the act may result in a fine of 10 percent of turnover or R 1 million, whichever is greater. This fine will certainly affect the efficiency of an SME as the organisation will be incurring unnecessary expenses as a result of non-compliance.

If one looks at the fact that a consumer is able to return goods to the retailer, then the same advantage should apply to the retailer in the scenario where if a retailer is not satisfied with the quality of the goods, or the quality of service it is experiencing from its supplier, it may have the right to return the goods back to its supplier, depending on whether the retailer qualifies to be a consumer.

2.6.1 *Proposition 4*

The implementation of the Consumer Protection Act will impact the efficiency of SMEs in South Africa.

2.7 Conclusion of Literature Review

The literature review reveals that SMEs are becoming a larger proportion of the South African economy than ever before. At the same time, the CPA is a very necessary piece of legislation since South Africa's economy is in much need of an upliftment in the standard of its services. At the same time, the legislation addresses an important social issue, the unfair treatment of consumers. Whether there are impacts on SMEs as a result of the CPA has not been conclusively resolved in the literature.

2.7.1 *Proposition 1:*

The 'cooling-off period of the CPA will have an effect on SMEs.

2.7.2 *Proposition2:*

The implementation of the Consumer Protection Act will impact the relationship that SMEs have with their suppliers.

2.7.3 *Proposition 3*

The implementation of the Consumer Protection Act will impact the relationship that SMEs have with their customers.

2.7.4 *Proposition 4*

The implementation of the Consumer Protection Act will impact the efficiency of SMEs in South Africa.

3 RESEARCH METHODOLOGY

This section outlines the methodology used to conduct this research. Firstly, the literature around quantitative research is discussed, followed by a review of the research design and research instrument to be used. Issues of data collection and analysis in relation to this study are provided, followed by a discussion on the validity and reliability of this study.

3.1 Research methodology

This study used a quantitative methodology in order to gather the appropriate data to answer the research questions. According to Creswell (2003, p.18), a quantitative approach to research is one in which 'the investigator primarily uses post positivist claims for developing knowledge, employs strategies of inquiry such as experiments and surveys, and collects data on predetermined instruments that yield statistical data'.

The data was collected in a series of multiple-choice interviews with each respondent. Each interview enabled the respondent to relate their experiences and attitudes to the researcher in their choices selected in the multiple-choice questionnaire lasting approximately 5 to 10 minutes. Each question was closed-ended, producing numeric data to be analysed.

The assumption of honesty and candour from the respondents was taken within this study.

3.2 Research Design

The research design was in the form of an experimental design, measuring attitudes of respondents, as well as rating their behaviours (Creswell, 2003).

3.3 Population and sample

3.3.1 *Sample and sampling method*

A sample of 120 SMEs were selected, 30 from the Western Cape and 90 from Gauteng. A method of convenience sampling was used where the sample was drawn from the Yellow Pages. This source of sampling was chosen because it is believed to offer a fair representation of SMEs in South Africa as it reduces the systematic bias believed to exist in other considered methods of sampling. Geographical bias is low as subscribers to the Yellow Pages are not limited to certain geographical locations, corporate parks, etc. Demographical bias as well as technological bias is also limited as the accessibility to the Yellow Pages is not exclusive in any way. Interviews were conducted via telephone and the manager or owner was interviewed immediately depending on the availability of the manager or owner of the business at the time of the interview. If owners of the SME were unavailable in the interview period, a suitably experienced and informed respondent was requested. If nobody suitable was found to complete the questionnaire, that particular SME was eliminated from the sample and another appropriate SME was interviewed in its place. It is assumed that a sufficient number of SMEs were available to be interviewed.

3.4 The research instrument

The structured interview questionnaire example of the research instrument is provided in Appendix A.

The research instrument was in the form of a collection of Lickert Scales (Lickert, 1932). Lickert scales require respondents to indicate and record their level of agreement or disagreement by selecting an option along a sliding scale of series statements, strongly disagree, disagree, agree, and strongly agree (Bell, 2005). The Lickert Scale in each question did not make use of a central neutral point, which is argued to give respondents the option of choosing 'neither agree nor disagree' and ultimately increases the reliability of the scale, as respondents were not forced to either agree or disagree with a statement. Kahn, Nowlis and Dhar *(*2000) on the other hand, argue that the qualitative results between the two scales will remain unaffected, as respondents will randomly select either 'agree' or 'disagree', which will not bias the results. The reason why it has been decided not to use a central point is to force interviewees to choose a side of the fence and decide whether they agree or disagree, in order to give the research more definitive data to analyse.

The advantages of this research design are that it is simple for the respondents to understand and complete (which aids reliability, as well as internal validity).

The disadvantages of this research design are that validity may be difficult to demonstrate and that there is an absence of one-dimensionality or homogeneity (Page-Bucci, 2003).

3.5 Procedure for data collection

The interviews were a combination of pre-arranged interviews, as well as randomly selected interviewees, depending on the availability of the respondent. Interviews took place telephonically and the responses were immediately recorded on an Excel worksheet at the time of the interview.

3.6 Data analysis and interpretation

The data from all the surveys was gathered. From here, each Likertscale ranged from 1-6, 1 being Strongly Agree, 6 being Strongly Disagree. The results of each question were analysed independently and each question was then grouped into its relevant construct. For example, questions relating to customer relationships were grouped into the 'Customer Relationships' construct. The results of each relevant construct either supported or rejected the relevant proposition. In order for a construct to be considered reliable it would have to achieve a Cronbach's alpha of between 0.6 and 1, however in the event that one was unable to create a construct with such reliability, a Cronbach's alpha of between 0.4 and 0.6 was considered, however the conclusion drawn from such a construct may not be considered to be as determinative.

Four constructs were decided upon:

- Effects of the cooling off period on SMEs (Questions 13, 14, 15 and 17)
- Effects the CPA has had on SMEs' suppliers and relationships (Questions 1, 5, 6, 7, 8 and 18)
- Effects the CPA has had on SMEs' consumers and their relationships (Questions 2, 4, 10 and 12)
- Effects the CPA has had on efficiency and business costs (Questions 11, 16, 19 and 20)

3.7 Limitations of the study

The study was reliant on a sufficient sample of individuals; however the sample only considers SMMEs from Gauteng and Western Cape provinces who have advertised in the Yellow Pages. Every effort was made to get as representative a sample as possible within these limitations.

3.8 Validity and reliability

According to Joppe (2000, p.1),

> 'Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to hit "the bull's eye" of your research object?'

3.8.1 *External validity*

The best way to describe external validity is with the following tests: Will the results of the surveys accurately represent the population? In other words, is the sample an accurate representation of the population? Is the time chosen to conduct the research going to skew the results in any way?

Regarding external temporal validity, there are no particular socio-economic events (such as a civil war, natural disaster) which skew the external validity of the research, therefore the research should be relatively temporally valid. Furthermore, all the interviews were conducted within a one-month window, allowing for less temporal variations to distract from the validity of the research.

Regarding population generalisation, external validity was enhanced by interviewing all sectors of SMEs. SMEs were interviewed with as even a balance as possible selected from the following sectors:

Wholesale

Retail

Manufacturing / Agriculture

Services/Skills

Regarding geographical external validity, SMEs from Gauteng and Cape Town were interviewed, giving a fairly representative sample of South African SMEs.

When considering content validity, the aspects of consumer relationships with SMEs, SMEs relationships with suppliers, the cooling off period and efficiency on SMEs as a result of the enforcement of the CPA are the primary elements which may potentially affect SMEs. There are also legal elements as well as financial effects which the CPA may have on SMEs, and these do not have a construct dedicated to them, however certainly are still measured as there are specific questions on these sections which contribute to the construct relating to efficiency.

Construct validity, maintained as a question, will not form part of a construct if it does not validly relate to the construct or the relevant proposition, regardless of its potential Cronbach Alpha correlation.

Criterion validity was also maintained as each individual question asked to the sample directly relates to how their organisation had been affected by the implementation of the

CPA. In other words, there are no questions which seek information by approaching the sample in an indirect way.

3.8.2 *Internal validity*

Internal validity ensures that the data collection process is uniform throughout (Mitchell & Jolly, 2001).

This study ensured internal validity by having one researcher conducting all the interviews. Furthermore, internal validity was inherent in the questionnaire format, as each respondent has the same options to answer each question thanks to every answer in the questionnaire being in the form of Lickert scales.

One area for concern, when interviewing the sample, is that when they choose to respond to the Lickert scale, some may answer more extremely than others. For example, two respondents may feel the same way about a particular question or would have had similar experiences as one another, yet the one may respond ‘agree’ and the other may respond ‘strongly agree’. This was managed by pre-stating in the telephonic interview that they must only answer strongly if they absolutely felt extremely about their response.

3.8.3 *Reliability*

Joppe (2000, p.1) defines reliability as:

> ‘The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.’

Reliability was assured as the accurate research instrument was tested on a trial respondent prior to the interviewees who took part in the selected sample. Furthermore, since all the questions used the same Lickert Scale, reliability was enhanced.

To further maximise the reliability of the research, Cronbach's alpha was calculated for each construct and each construct was then tested. The construct passed the reliability test if the Cronbach's alpha was between 0.6 and 1.0, however if a Cronbach's alpha of between 0.6 and 1 was unobtainable from the data, an alpha of 0.4-0,6 was accepted, however would not be considered as reliable and as preferential, and ultimately not as founding a conclusion may be drawn.

4 RESEARCH FINDINGS

4.1 INTRODUCTION

Having completed the 120 interviews of SME's in South Africa, 90 in Gauteng and 30 in the Western Cape, the data was first arranged into constructs where the 25Likert scale questions were grouped into constructs which related strictly to the relevant proposition and questions which were included were decided upon with an attempt to maximise the reliability of the construct, i.e. maximising the Cronbach's alpha. These constructs also had to pass the reliability test of their Cronbach's Alpha being between 0.6 and 1 in order to reliably draw a conclusion for the proposition.

Four constructs were decided upon:

- Effects of the cooling off period on SMEs (Questions 13, 14, 15 and 17)
- Effects the CPA has had on SMEs' suppliers and relationships (Questions 1, 5, 6, 7, 8 and 18)
- Effects the CPA has had on SMEs' consumers and their relationships (Questions 2, 4, 10 and 12)
- Effects the CPA has had on efficiency and business costs (Questions 11, 16, 19 and 20)

The first three constructs were tested to be very reliable, and therefore conclusions were drawn from these constructs. The final construct, however, was unable to achieve a high reliability score, resulting in a construct from which a weak conclusion for the proposition on efficiency was able to be drawn. One can certainly, however, draw valuable information relating to the individual questions within the construct.

All the remaining questions provided relevant and analysable data, however they did not fit any reliable construct and are discussed briefly.

In the data analysis, each proposition will be dealt with one by one, with the construct being analysed and discussed. Each construct is discussed as a whole, which then leads on to each construct being broken down into the different sectors making up the sample, being the manufacturing, wholesale, retail and services sectors. In addition to this, the construct is also analysed geographically and contrasted between Johannesburg and Cape Town responses.

3.2 DATA ANALYSIS

3.2.1 *Effects of Cooling off period on SMEs*

In this proposition, the created construct was assembled to determine whether or not the cooling off period of the CPA would have an impact on SMEs in South Africa.

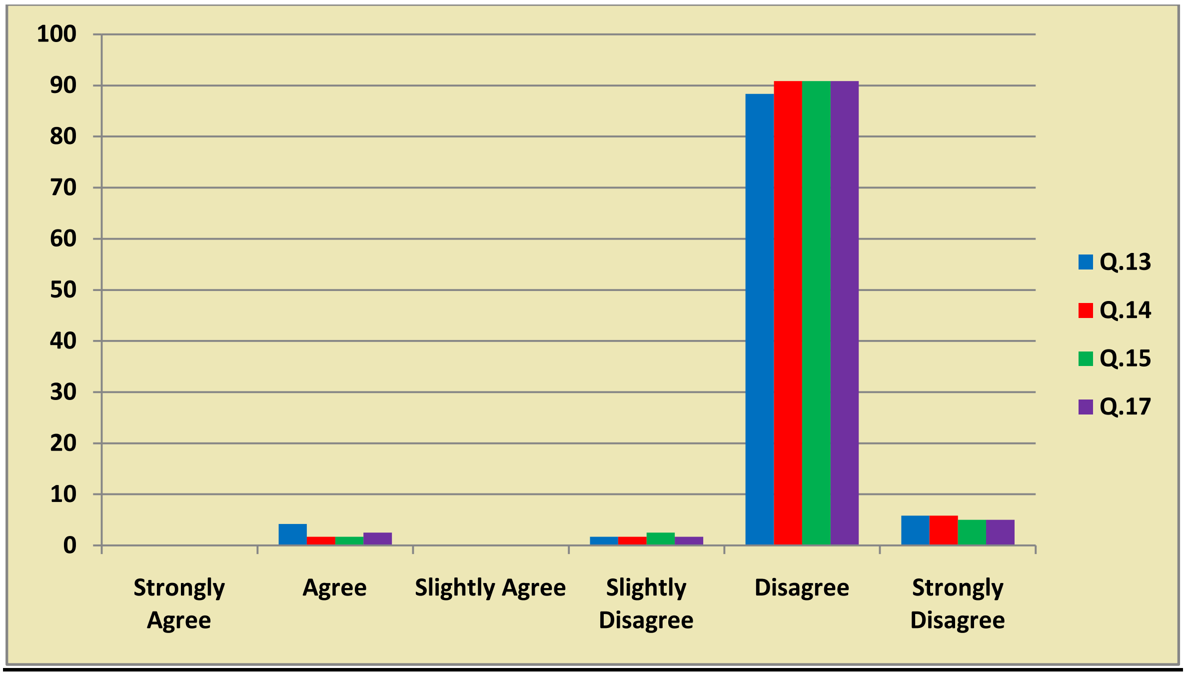

Figure 7: Bar chart Illustrating Construct of Cooling-off Period Effect on Sample

Table 4 illustrating Construct of Cooling Effect on Sample

	STRONGLY AGREE		AGREE		SLIGHTLY AGREE		SLIGHTLY DISAGREE		DISAGREE		STRONGLY DISAGREE	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
Q.13	0.0%	0	4.2%	5	0.0%	0	1.7%	2	88.3%	106	5.8%	7
Q.14	0.0%	0	1.7%	2	0.0%	0	1.7%	2	90.8%	109	5.8%	7
Q.15	0.0%	0	1.7%	2	0.0%	0	2.5%	3	90.8%	109	5.0%	6
Q.17	0.0%	0	2.5%	3	0.0%	0	1.7%	2	90.8%	109	5.0%	6
	TOTAL					2.5%	TOTAL					97.5%

The above construct passed the Cronbach's Alpha test resulting in an alpha of 0.88 (rounded to 2 decimal places, refer to Appendix B) indicating a strong relationship between each element of the construct, and hence rendering the construct very reliable.

As the above construct demonstrates, above 97 percent of the respondents disagreed that the cooling off period affected their business. 4.2 percent agreed that customers actually brought back goods to them during the cooling-off period, 1.7 percent of the sample returned goods to their suppliers under the cooling off period, 1.67 percent felt that the cooling-off period has created administrative difficulties for their business and 2.5 percent felt that the cooling off period negatively affected their cash flows.

On the whole, the majority of the sample disagreed that the cooling-off period had an impact on their business.

Interestingly, this finding is contrary to what was proposed as well as what was drawn from the literature review where it was believed that the cooling off period would have an effect on SMEs. In retrospect, it is understandable that the cooling off period would not apply to the manufacturing sector and wholesale sector as the cooling off period is primarily designed to protect the uninformed impulse buyer (which wholesalers and retailers as customers are unlikely to be), however one would have expected the retail and services sectors to be more affected than the results reveal.

4.2.1a Effects of the Cooling off Period on the Different Sectors

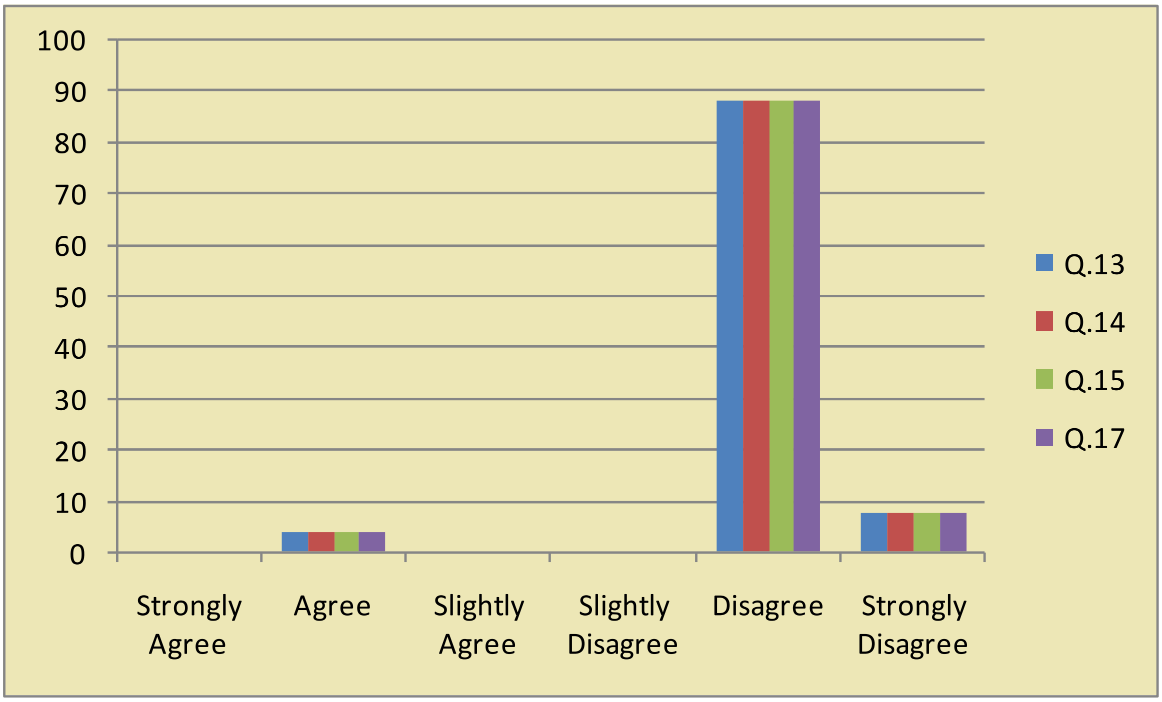

Figure 8: Manufacturing Sector: Percentage of the Sample's Responses relating to whether or not the Cooling off Period has affected their business

Within the manufacturing sector, there were no respondents that strongly agreed to the Cooling off period affecting their SME. Fewer than five percent agreed, yet over 95 percent disagreed. Significantly more respondents agreed than strongly agreed.

This makes sense, as the manufacturing sector is not very likely to be affected by the cooling off period as their customers will be either wholesalers or retailers where a long standing relationship is likely to be in place.

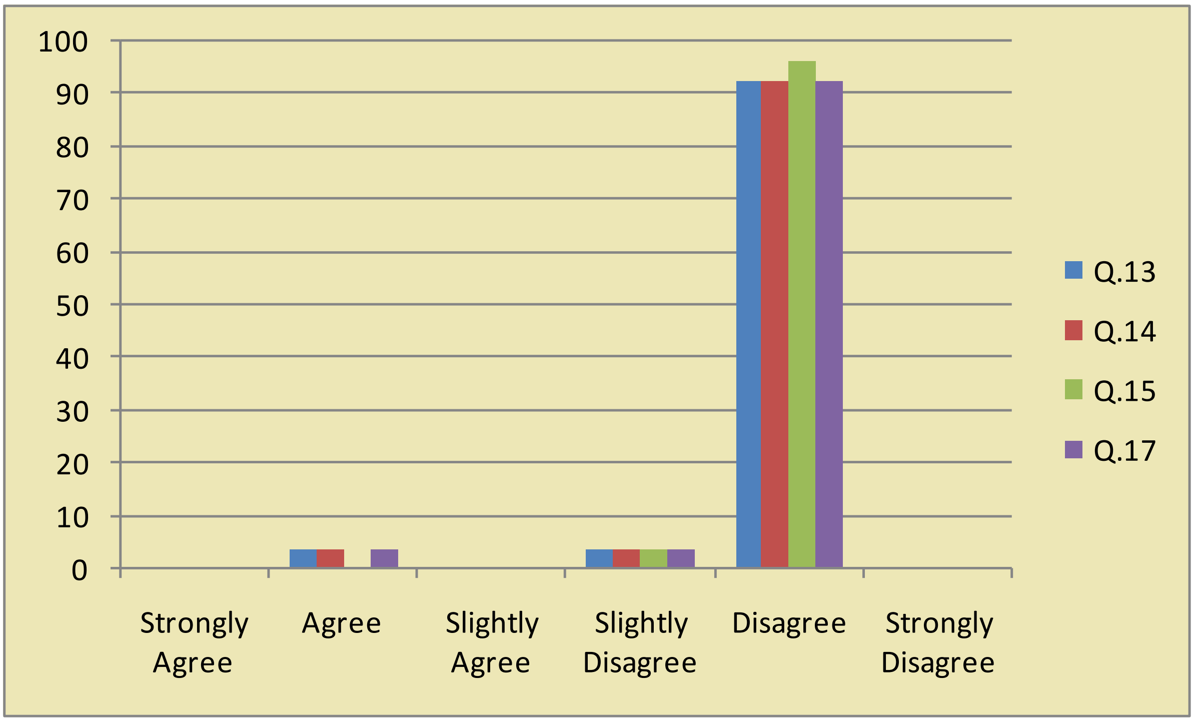

Figure 9: Wholesale Sector: Percentage of the Sample's Responses relating to whether or not the Cooling off Period has affected their business

Respondents from the wholesale sector, much like the manufacturing sector, primarily disagreed that the Cooling off period has affected their SME. An interesting difference is that there were no 'Strongly Disagree or Strongly Agree' responses, compared to the manufacturing sector.

These results are also in line with expectations, as the wholesale sector is more likely than any other sector to have long standing relationships with their suppliers as well as with their customers, meaning that there would less likely be an impulse purchase which would result in the customer needing to enforce the protection which the cooling off period offers.

Furthermore, this sector is more likely to have larger businesses (which do not fall into the definition of a customer under the CPA, therefore are not offered the protection offered to customers by the CPA) since it is a middleman between a manufacturer and a retailer or service provider.

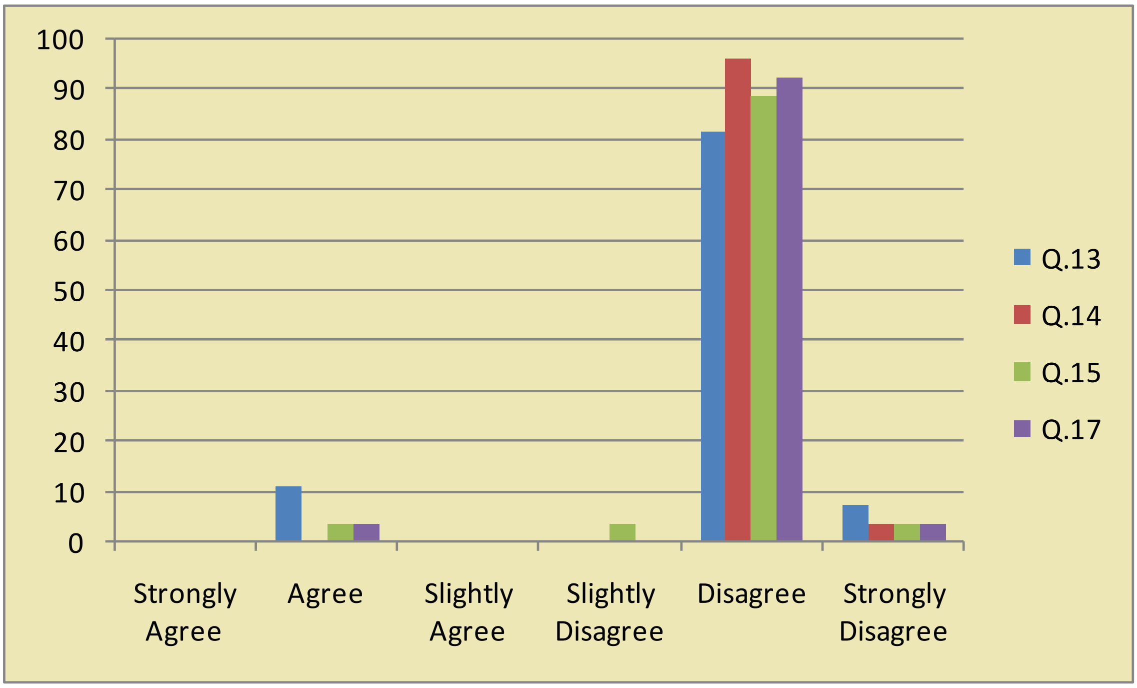

Figure 10: Retail Sector: Percentage of the Sample's Responses relating to whether or not the Cooling off Period has affected their business

This sector is the one which would be expected to be most affected by the cooling off period element of the CPA since it is more likely than any of the other sectors to have small, end user customers that are subject to marketing, and ultimately more likely to have customers who make an impulse buy than any of the other sectors in this report.

An interesting observation is that 10 percent of the respondents from this sector responded that customers have brought back goods during the cooling off period (Q.13). One cannot, however, conclude that they brought back the goods because they were aware of the protection which the CPA offered them.

One can observe that, once again, the majority of the respondents disagreed that they had been affected by the cooling off period, with around 5 percent strongly disagreeing and around 5 percent agreeing, with no Strongly Agrees or Slightly Agrees.

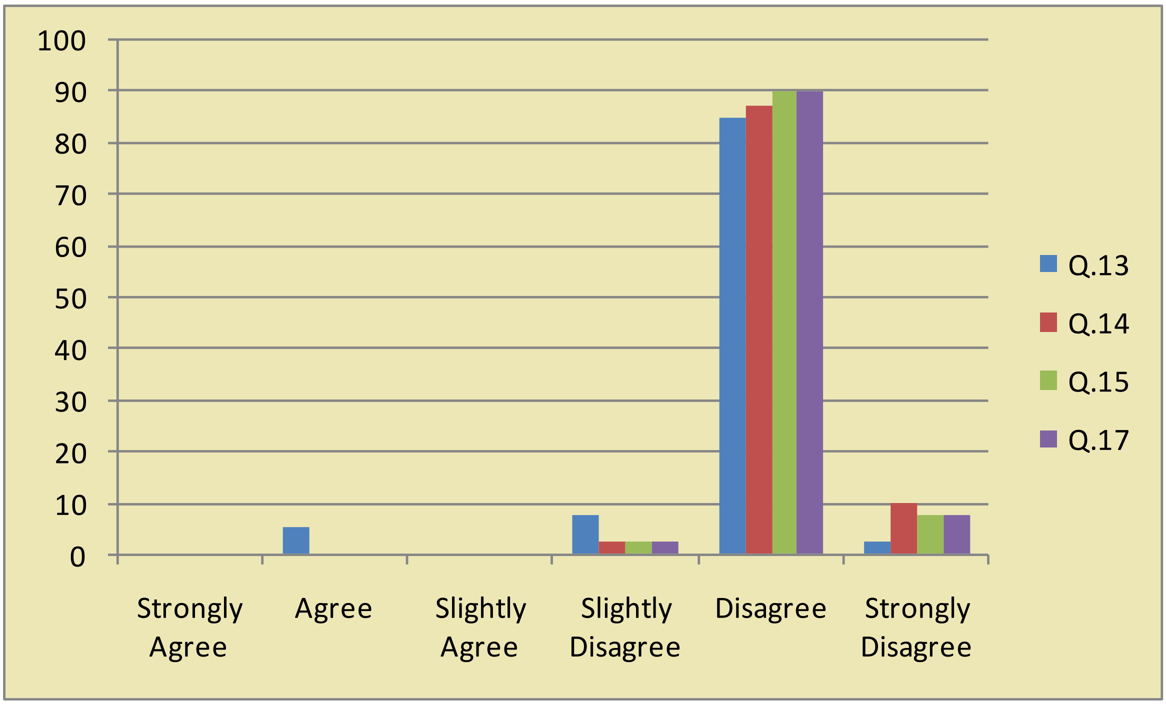

Figure 11: Services Sector: Percentage of the Sample's Responses relating to whether or not the Cooling off Period has affected their business

In the Services sector, one notices similar results where close to 90 percent of the respondents responded that the cooling off period has not affected their SME. An interesting observation is that this sector has more Strongly Disagree responses than any of the other sectors. This makes sense, as it is not very likely for someone to return a service during the cooling off period.

Considering the responses of the different sectors, the overwhelming majority have responded that they have not been affected by the cooling off period instituted by the CPA. There are other variations between sectors within this construct, however none of the deviations are significant enough to comment on or draw conclusions from.

4.2.1b Effects of the Cooling off Period in the Johannesburg and Cape Town Regions

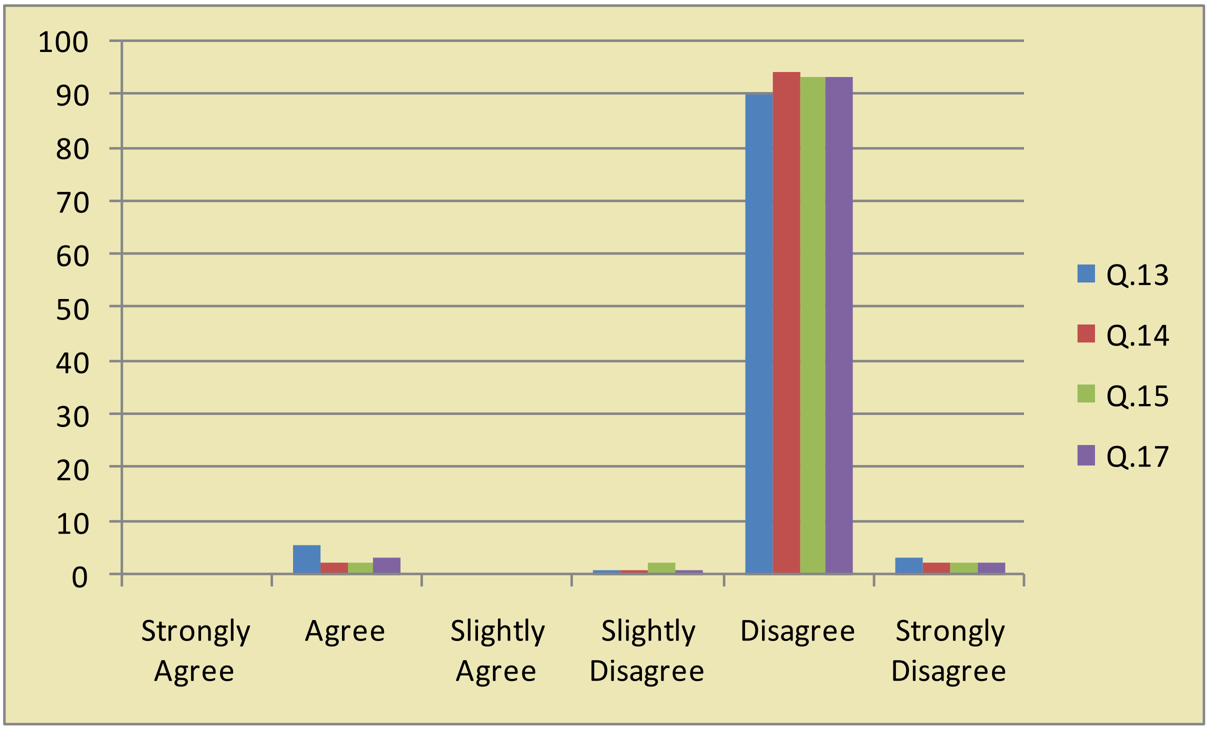

Figure 12: Johannesburg Region: Percentage of the Sample's Responses relating to whether or not the Cooling off Period has affected their business

SMEs in Johannesburg largely disagreed that the Cooling off Period has affected them, with under five percent agreeing that they had been affected by the cooling off period

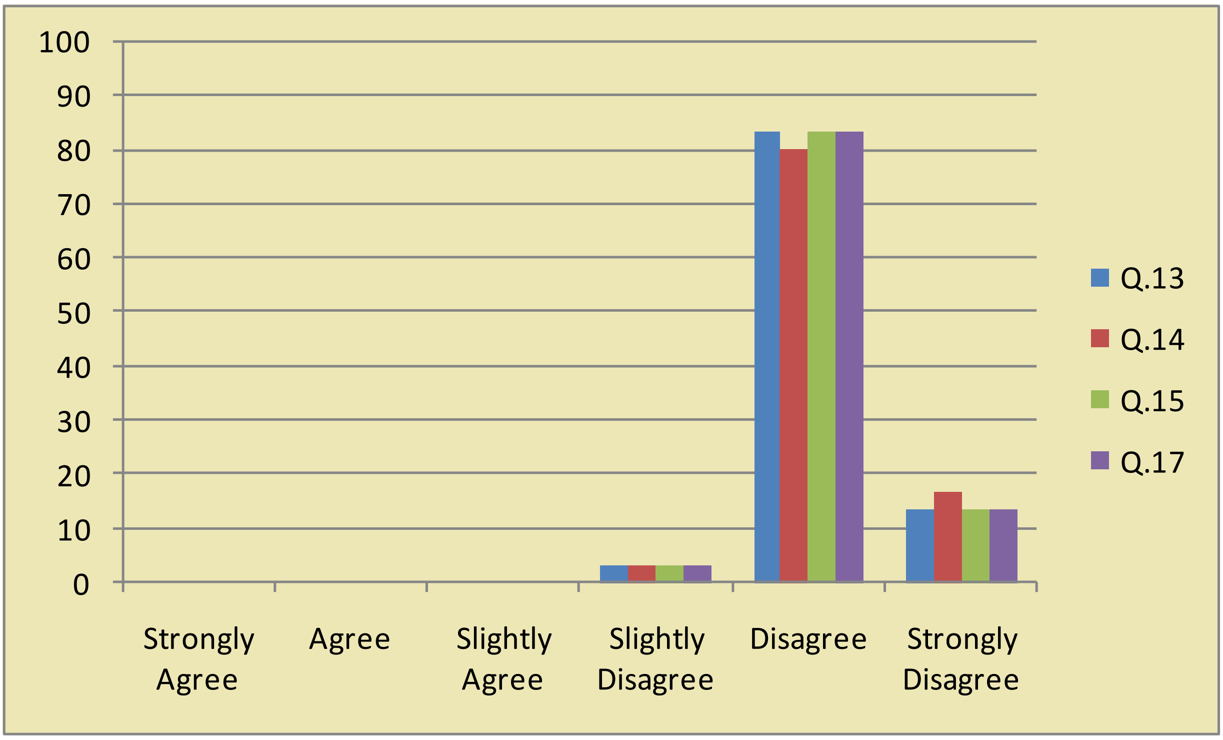

Figure 13: Cape Town Region: Percentage of the Sample's Responses relating to whether or not the Cooling off Period has affected their business

Comparing Johannesburg's response to Cape Town's response, they both disagreed that the cooling off period affected their businesses, however Johannesburg had a few respondents which agreed, and Cape Town had none. Furthermore, Cape Town's respondents had relatively more "strongly Disagreed' responses indicating that they felt more strongly than Johannesburg felt regarding the effects of the cooling off period on their SMEs.

4.2.1c Conclusion

The proposition that SMEs were affected by the cooling off period of the CPA was rejected by the construct. The majority of the respondents disagreed with the proposition indicating that SMEs have been largely unaffected by the cooling off period of the CPA.

3.2.2 *Effects of the CPA on Sample SMEs' Relationships with Suppliers*

In this proposition the created construct was assembled to determine whether or the CPA has affected the relationships that SMEs have with their suppliers.

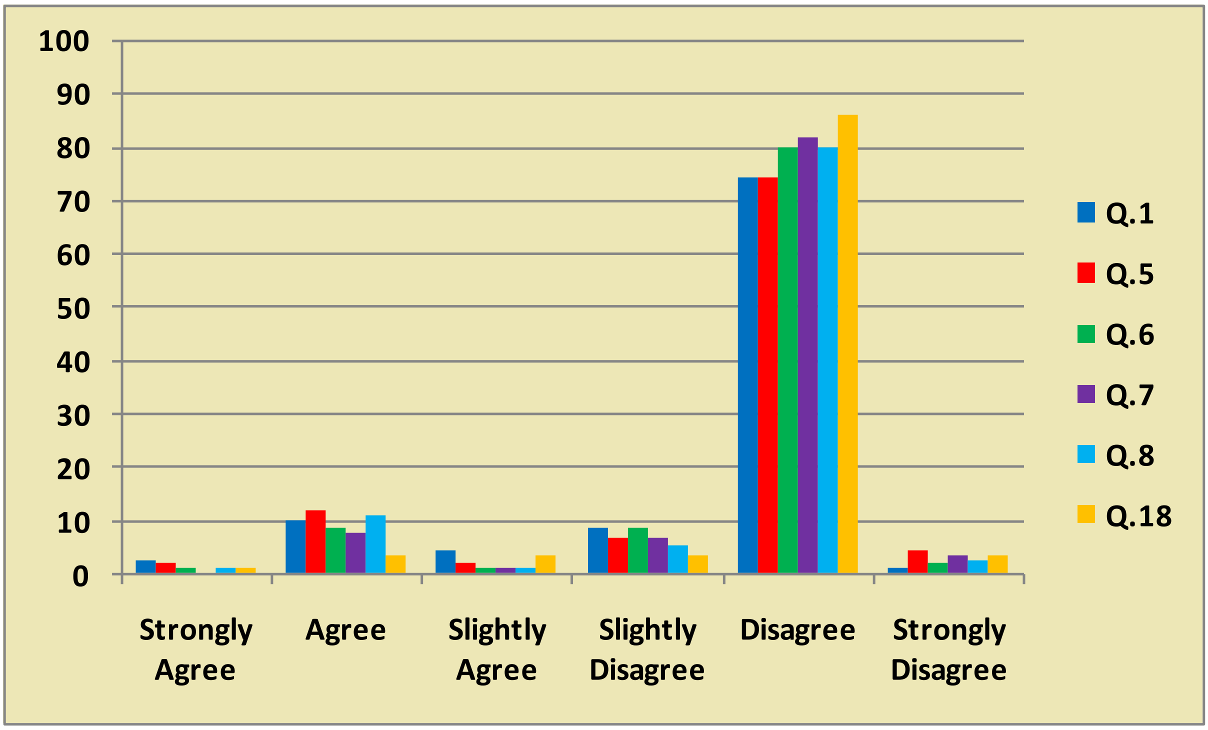

Figure 14: Bar Chart Illustrating Construct of CPA's Effect on SME Samples' Relationships with Suppliers

Table 5: Illustrating Construct of CPA's Effect on SME Samples' Relationships with Suppliers

Q	STRONGLY AGREE		AGREE		SLIGHTLY AGREE		SLIGHTLY DISAGREE		DISAGREE		STRONGLY DISAGREE	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
Q.1	2.5%	3	10.0%	12	4.2%	5	8.3%	10	74.2%	89	0.8%	1
Q.5	1.7%	2	11.7%	14	1.7%	2	6.7%	8	74.2%	89	4.2%	5
Q.6	0.8%	1	8.3%	10	0.8%	1	8.3%	10	80.0%	96	1.7%	2
Q.7	0.0%	0	7.5%	9	0.8%	1	6.7%	8	81.7%	98	3.3%	4
Q.8	0.8%	1	10.8%	13	0.8%	1	5.0%	6	80.0%	96	2.5%	3
Q.18	0.8%	1	3.3%	4	3.3%	4	3.3%	4	85.8%	103	3.3%	4
	TOTAL					11.7%	TOTAL					88.3%

The above construct passed the Cronbach's Alpha test resulting in an alpha of 0.78 (rounded to 2 decimal places, refer to Appendix B) indicating a strong relationship between each element of the construct, and hence rendering the construct very reliable.

As the above construct demonstrates, the majority (over 88 percent) disagreed that the CPA has had an effect on their relationship with their suppliers. Only 20 of the 120 SMEs felt that they changed their agreements with suppliers significantly. 9 percent had enforced the CPA against their suppliers, 10 percent responded that the quality of their goods had improved since the implementation of the CPA, 8.3 percent felt that their relationship with their supplier has changed, 12.5 percent have noticed an improvement in the efficiency of their suppliers and 7.5 percent responded that they have noticed an improvement in the consistency of the quality of the goods supplied to them.

Contrary to the proposition and the literature supporting the proposition, one would have expected that the CPA would have affected a large number of SMEs' relationships with their suppliers. As the literature review portrays, returns on goods which were sold by the retailer to the end user are to be returned to the manufacturer, or as high up the supply chain as is necessary in order for a fair exchange to be made which is not going to affect the efficiency or profit margins of the SME. Ultimately one could presume that a faulty product gets returned to the manufacturer and not to the wholesaler or retailer. This indicates that, on the whole, efficient and solid relationships exist between retailers, wholesalers and manufacturers (and indirectly, services suppliers too).

This also indicates that the implementation of the CPA into the South African public has merely reinforced existing high standards and is a solid ground to depend on for recourse as opposed to an industry and economy-changer.

4.2.2a Effects of the CPA on the Different Sectors with respect to SMEs' Relationships with Suppliers

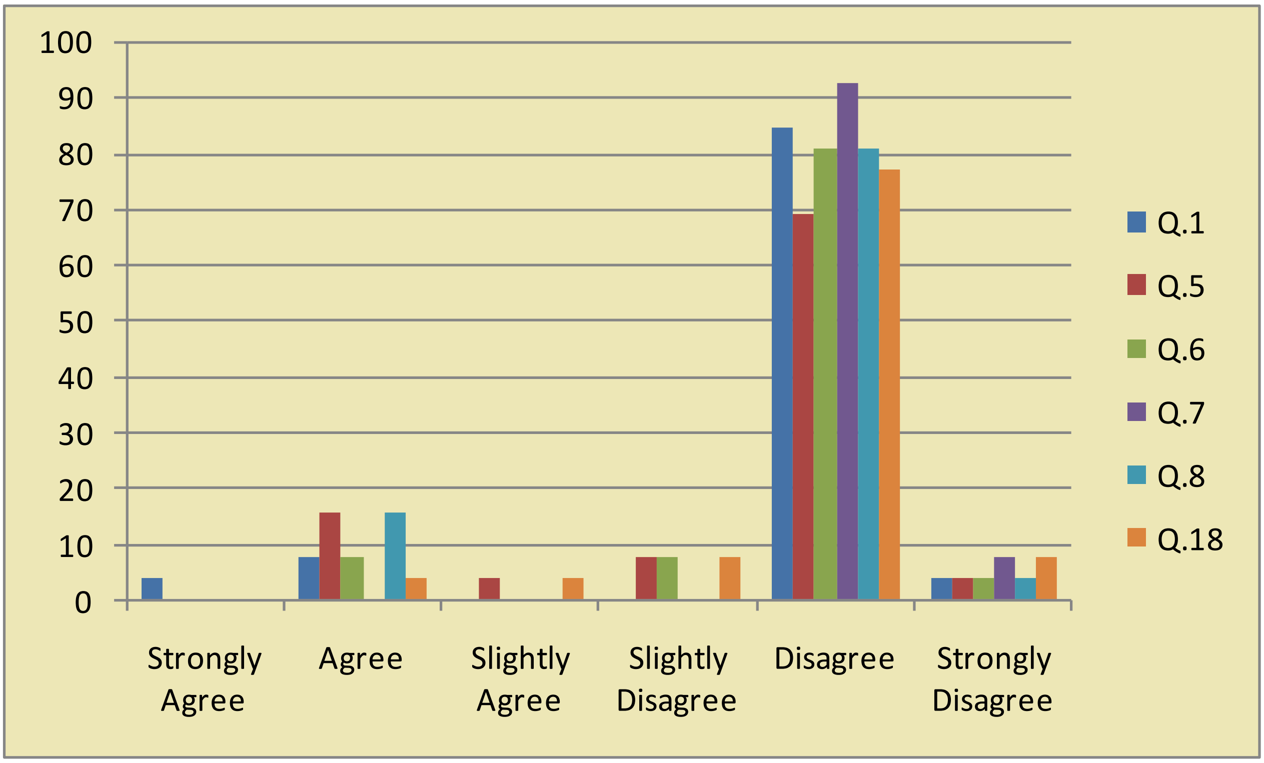

Figure 15: Manufacturing Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Suppliers

Considering the manufacturing sector, the majority disagreed that the CPA has affected their relationships with their suppliers, with under ten percent agreeing. This is understandable as these relationships are probably already strong, therefore if there was ever a quality issue or faulty product to be had, the item would be exchanged without hassle.

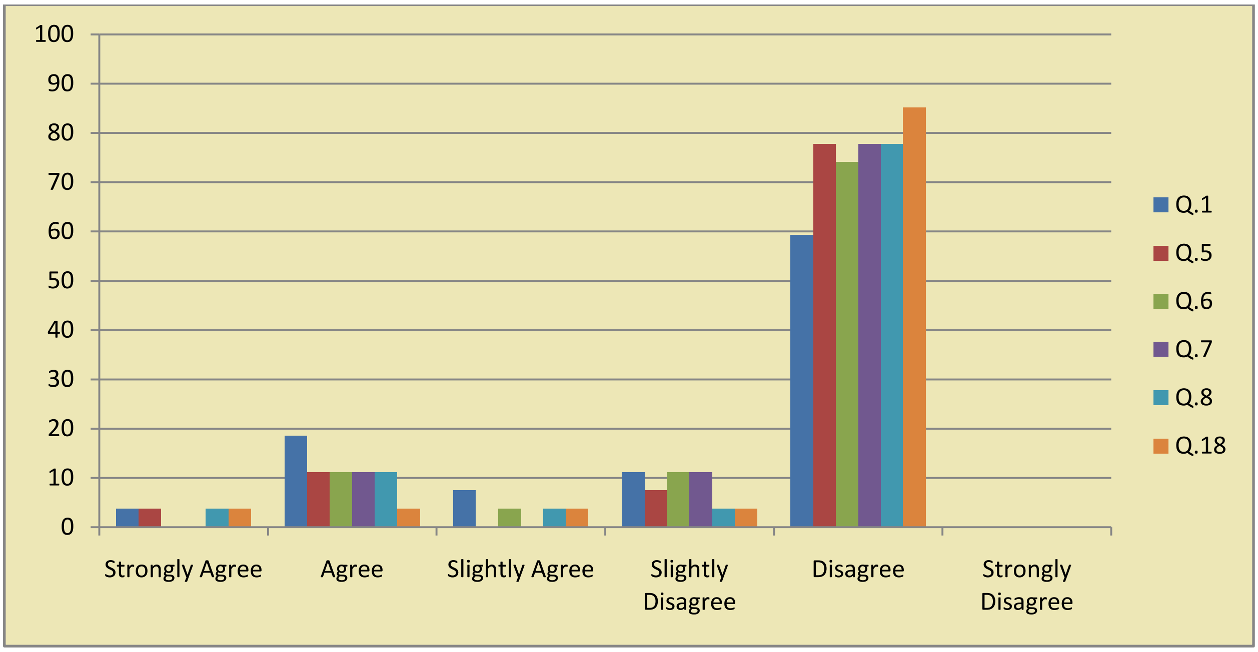

Figure 16: Wholesale Sector: Bar Chart Illustrating Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Suppliers

The wholesale sector responded by disagreeing that the CPA has affected their relationships with their suppliers. An interesting observation is that nobody strongly disagreed, and there were around 10 percent which agreed and even a few "Strongly Agree' responses.

This may be justified because, once again, wholesalers may have a good relationship with their suppliers, resulting in not much need for the CPA to affect the relationship, leaving the 10 percent affected. The 10 percent who responded 'agreed' may be affected simply because they are the middle man in the supply chain, and would be transferring the burden of responsibility up the chain.

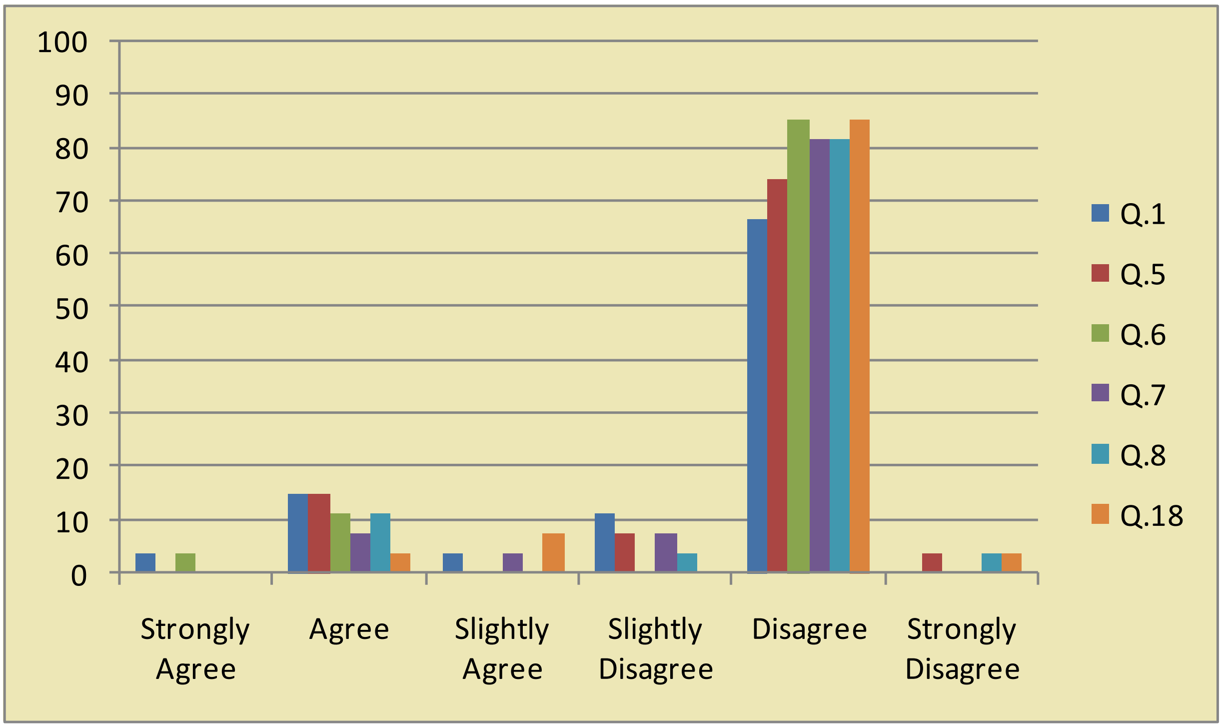

Figure 17: Retail Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Suppliers

The majority of the retail sector responded by disagreeing that the CPA has affected their relationships with their suppliers. More respondents slightly disagreed than strongly disagreed, indicating a tendency towards indifference. On the other hand, around 10 percent agreed that the CPA had affected their relationships with suppliers.

This may be justified because good relationships with retailers and their suppliers are already in place, leaving them mainly unaffected by the legislation.

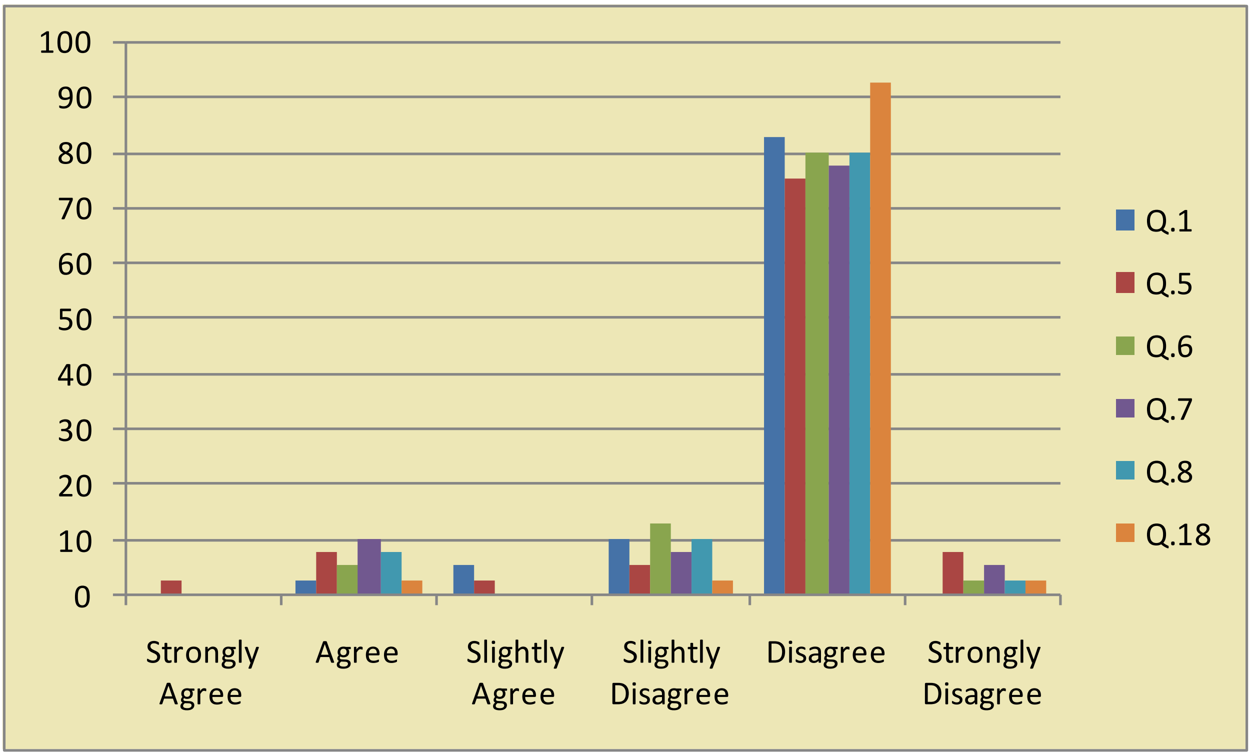

Figure 18: Services Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Suppliers

The services sector also primarily disagreed that the CPA had affected their relationships with their suppliers.

On the whole, all the sectors have shown to consistently disagree that the CPA has affected their relationships with their suppliers.

4.2.2b Effects of the CPA on SMEs Relationships with their suppliers by Region: Johannesburg and Cape Town

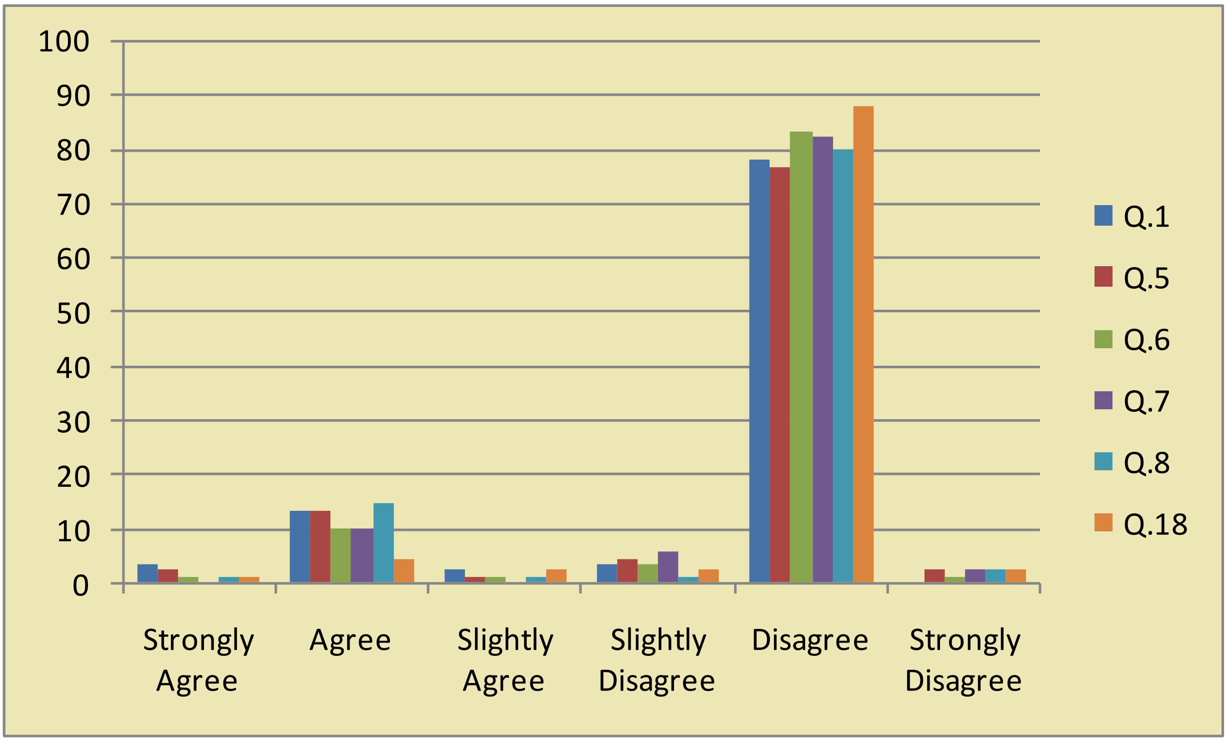

Figure 19: Johannesburg Region: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Suppliers

According to the construct, the majority of Johannesburg SMEs disagreed that the CPA had affected their relationships with their suppliers, with around 10 percent agreeing.

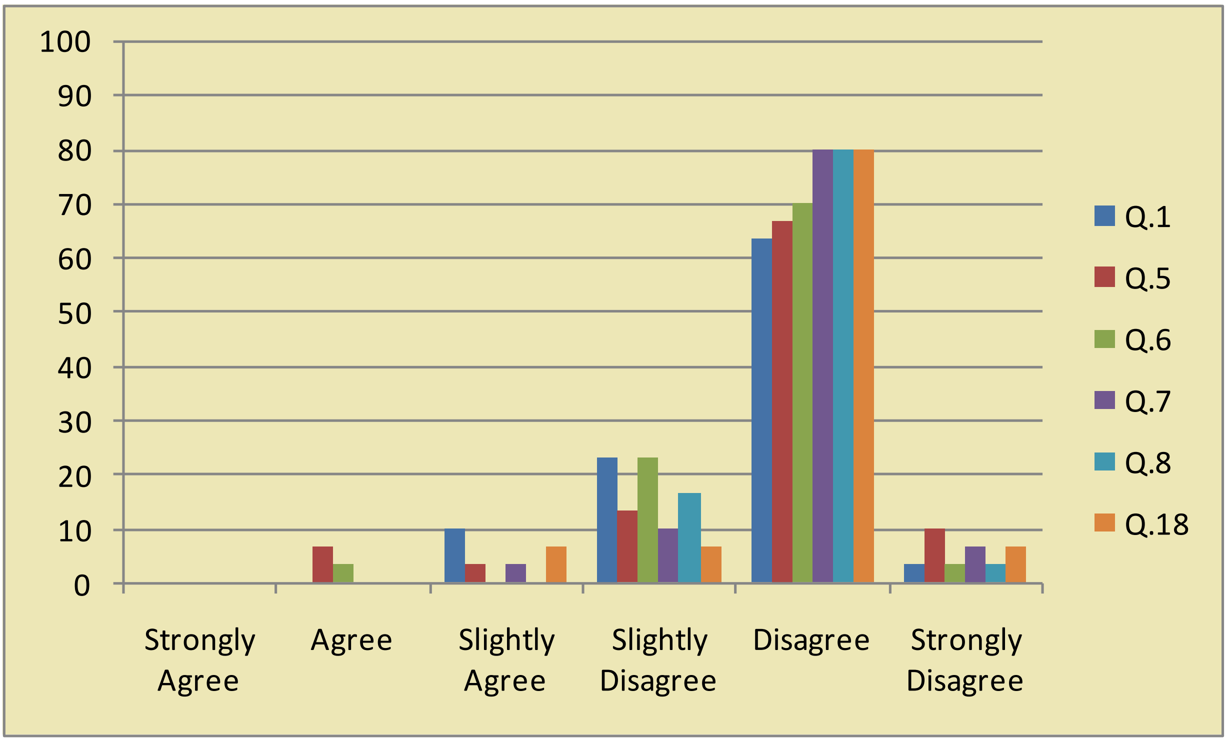

Figure 20: Cape Town Region: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Suppliers

The Cape Town region has also predominantly responded that the CPA has not affected their SMEs' relationships with their suppliers.

4.2.2 Conclusion

The proposition that the CPA has affected SMEs relationships with their suppliers was rejected by the construct. The majority of the respondents disagreed with the proposition indicating that SMEs relationships with their suppliers have been largely unaffected by the implementation of the CPA.

3.2.3 *Effects of the CPA on Customers' Relationships with Sample SMEs*

In this proposition, the created construct was assembled to determine whether or the CPA has affected the relationships that SMEs have with their customers.

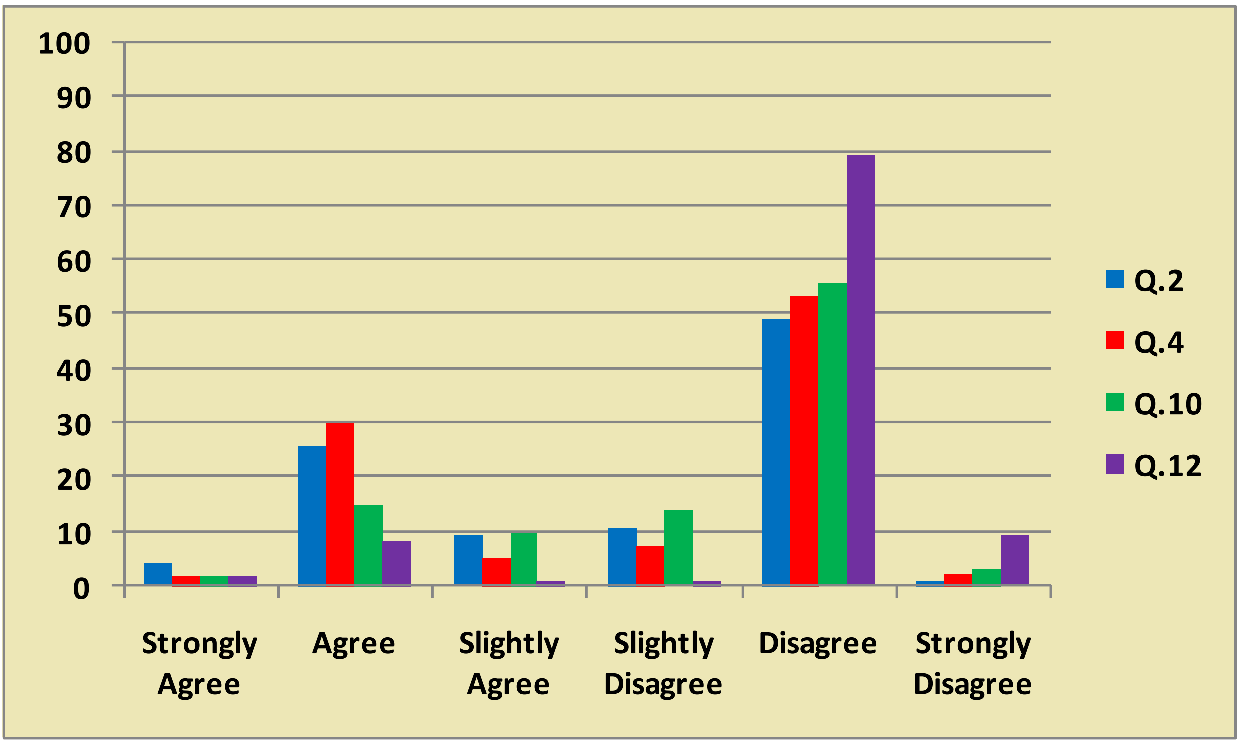

Figure 21: Bar Chart Illustrating Construct of CPA's Effect on SME Samples' Relationships with Customers

Table 6: Illustrating Construct of CPA's Effect on SME Samples' Relationships with Customers

	STRONGLY AGREE		AGREE		SLIGHTLY AGREE		SLIGHTLY DISAGREE		DISAGREE		STRONGLY DISAGREE	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
Q.2	4.2%	5	25.8%	31	9.2%	11	10.8%	13	49.2%	59	0.8%	1
Q.4	1.7%	2	30.0%	36	5.0%	6	7.5%	9	53.3%	64	2.5%	3
Q.10	1.7%	2	15.0%	18	10.0%	12	14.2%	17	55.8%	67	3.3%	4
Q.12	1.7%	2	8.3%	10	0.8%	1	0.8%	1	79.2%	95	9.2%	11
	TOTAL					28.3%	TOTAL					71.7%

The above construct passed the Cronbach's Alpha test resulting in an alpha of 0.70 (rounded to 2 decimal places, refer to Appendix B) indicating a strong relationship between each element of the construct, and hence rendering the construct very reliable.

39.2 percent agreed that their terms and conditions with consumers has had to be significantly changed, 36.7 percent responded that customers had enforced the CPA against their business, 26.7 percent felt that customers' issues regarding the CPA had been handled efficiently and 10.8 percent responded that they have had to settle a customer's claim legally. It makes sense that Question 12, relating to whether or not they had to settle a claim legally, got a higher percentage in the 'Disagree' and 'Strongly Disagree' responses, since it is an extreme measure and more often than not one can settle a dispute without litigation.

On the whole, the sample felt that their relationships with their customers had been affected more than any of the other constructs, however the majority still responded that the CPA had not affected their relationships with their customers.

Although this proposition has been supported more by the findings than the other propositions, it still opposes the focus of the literature on the whole which led one to propose that the CPA would significantly affect the relationships that SMEs have with their customers. The reason why the CPA was implemented was because there was a need for standards and recourse to be in place for SMEs and consumers. Ultimately the CPA has made an impact as between 20 and 30 percent of the sample has been affected, however more firms have not been affected than those that have. The primary affecting finding of the study is that 40 percent of the respondents had to amend agreements between themselves and their customers, which is perfectly in line with the literature findings.

4.2.3a Effects of the CPA on the Different Sectors with respect to SMEs' Relationships with Customers

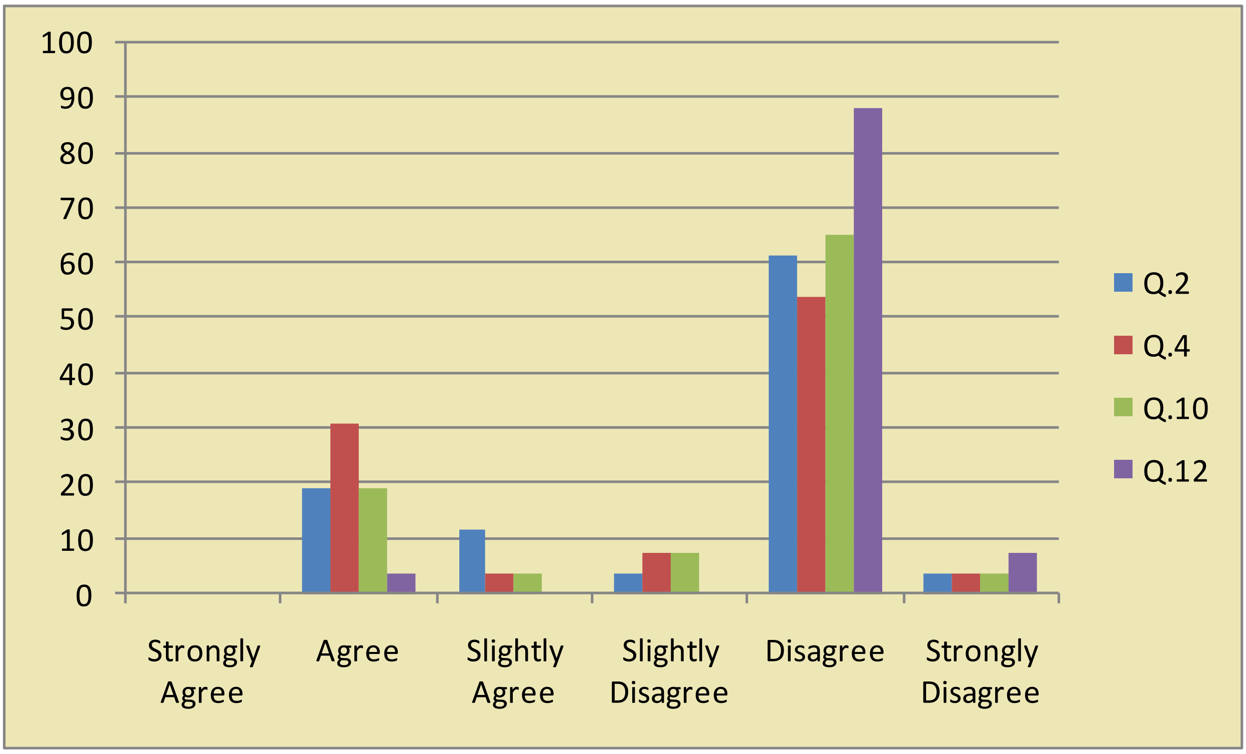

Figure 22: Manufacturing Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Customers

Considering the manufacturing sector, one can see from the above graph that this sector has more mixed views on the impact of the CPA than any of the other constructs. The majority still disagree that the CPA has affected their relationships with their customers, however over 20 percent responded that their relationships with their customers have changed. 30 percent of the sector agreed that the CPA had been enforced against them, with over 90 percent disagreeing that they have ever had to settle a customer's claim legally.

This is interesting to note in the manufacturing sector, as their customers are a mix of wholesalers, retailers and end user customers.

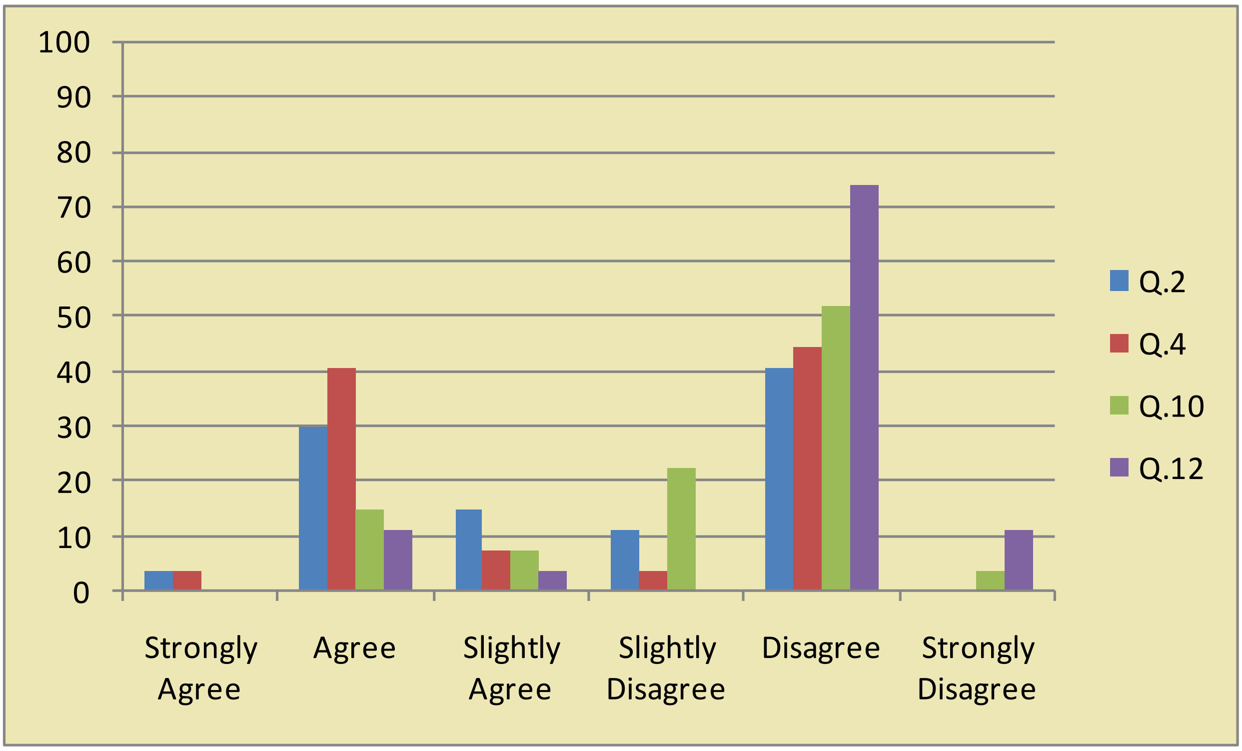

Figure 23: Wholesale Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Suppliers

The wholesale sector tends to be more spread out in terms of responses than the retail sector, with an even split between whether SMEs agree or disagree that customers have enforced the CPA against their business. Over 75 percent of the sample feel that customer matters relating to the CPA have not been dealt with efficiently, with the vast majority responding that they have not had to resolve a CPA claim legally.

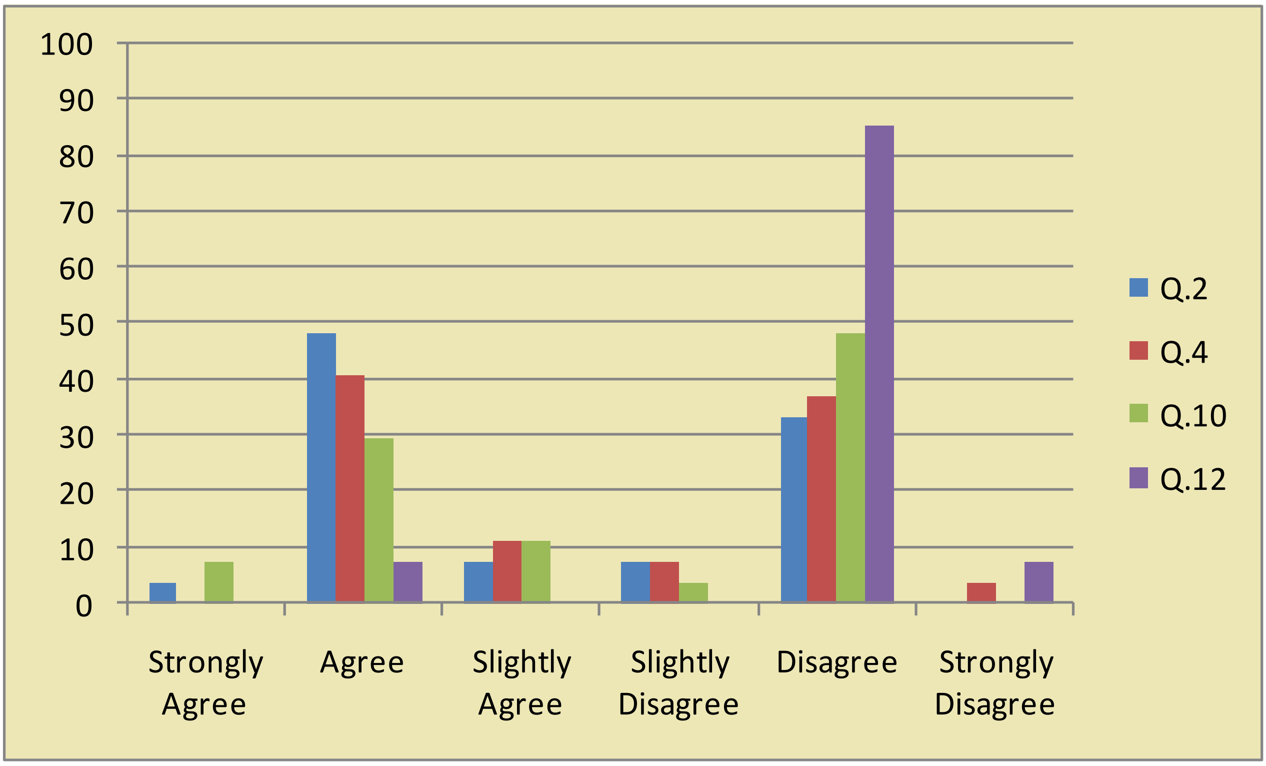

Figure 24: Retail Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Suppliers

Considering the retail sector, over 50 percent of the sample responded that terms and conditions with consumers have had to be significantly changed. 40 percent agreed customers have enforced the CPA against their business, with 11 percent only slightly agreeing to this statement. On the other hand, 85 percent disagreed that they had to handle a customer's claim legally, along with 8 percent strongly disagreeing. 30 percent agreed that customer's claims were handled efficiently, with only 11 percent slightly agreeing.

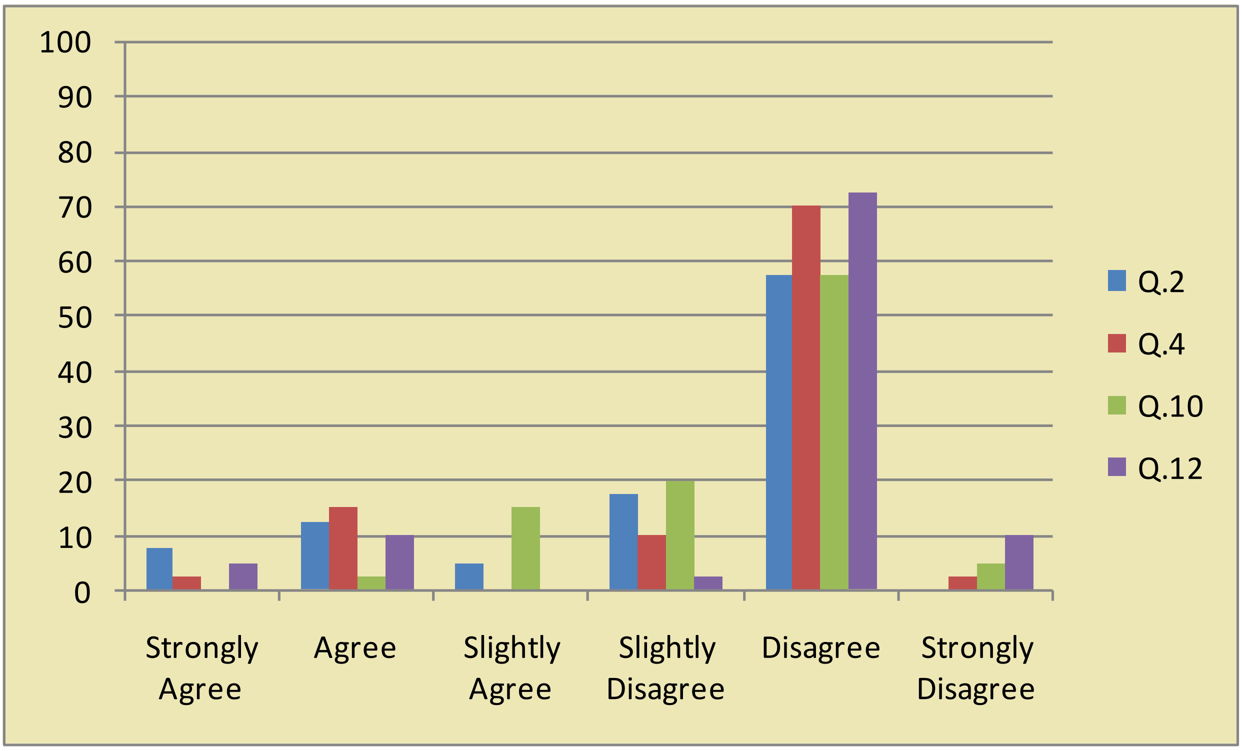

Figure 25: Services Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Suppliers

On the whole, the services sector seems to have been less affected than any of the other sectors when considering their relationships with their customers.

82 percent disagreed that customers had enforced the CPA against their business. 75 percent disagreed that they had to significantly change their terms and conditions with their customers, with 82 percent disagreeing that customer issues relating to the CPA had been dealt with efficiently.

4.2.3b Effects of the CPA on SMEs Relationships with their Customers by Region: Johannesburg and Cape Town

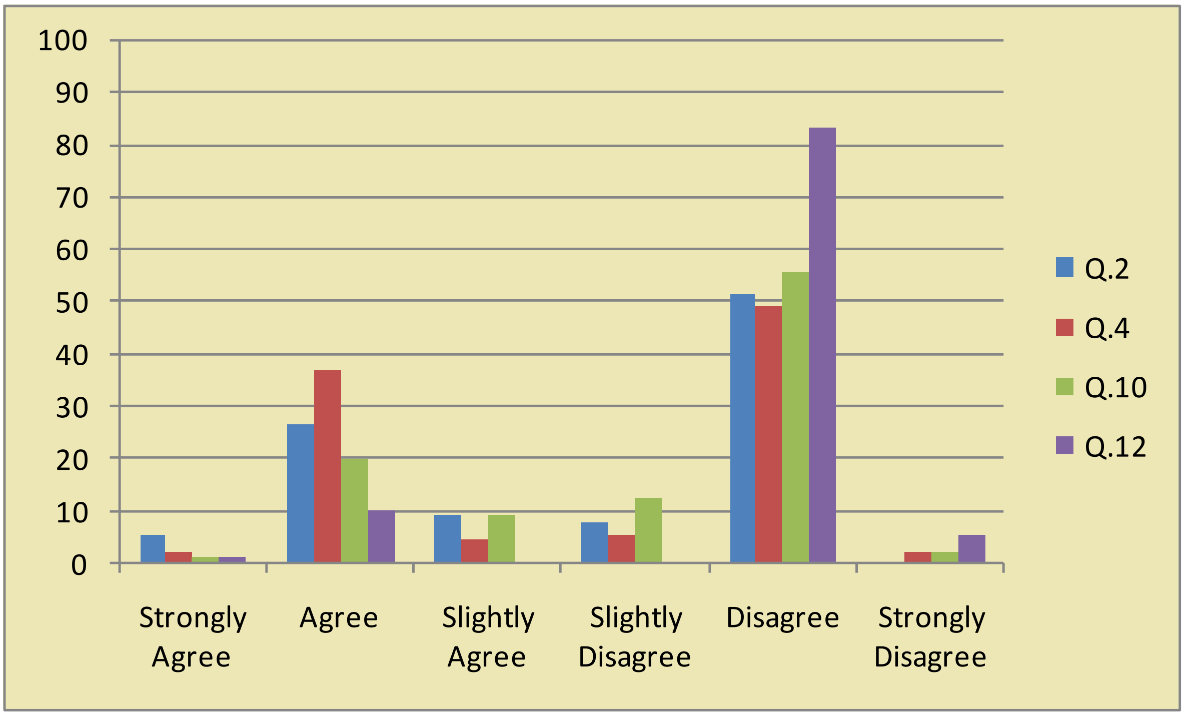

Figure 26: Johannesburg Region: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Customers

The Johannesburg region was also split in terms of whether or not SMEs felt that the CPA had affected their relationships with their customers, however slightly favouring disagreement. 55 percent disagreed that customers had enforced the CPA against their business. In addition to this, 88 percent disagreed that they have had to settle a customer's claim legally. 60 percent also disagreed that terms and conditions with consumers have had to be changed.

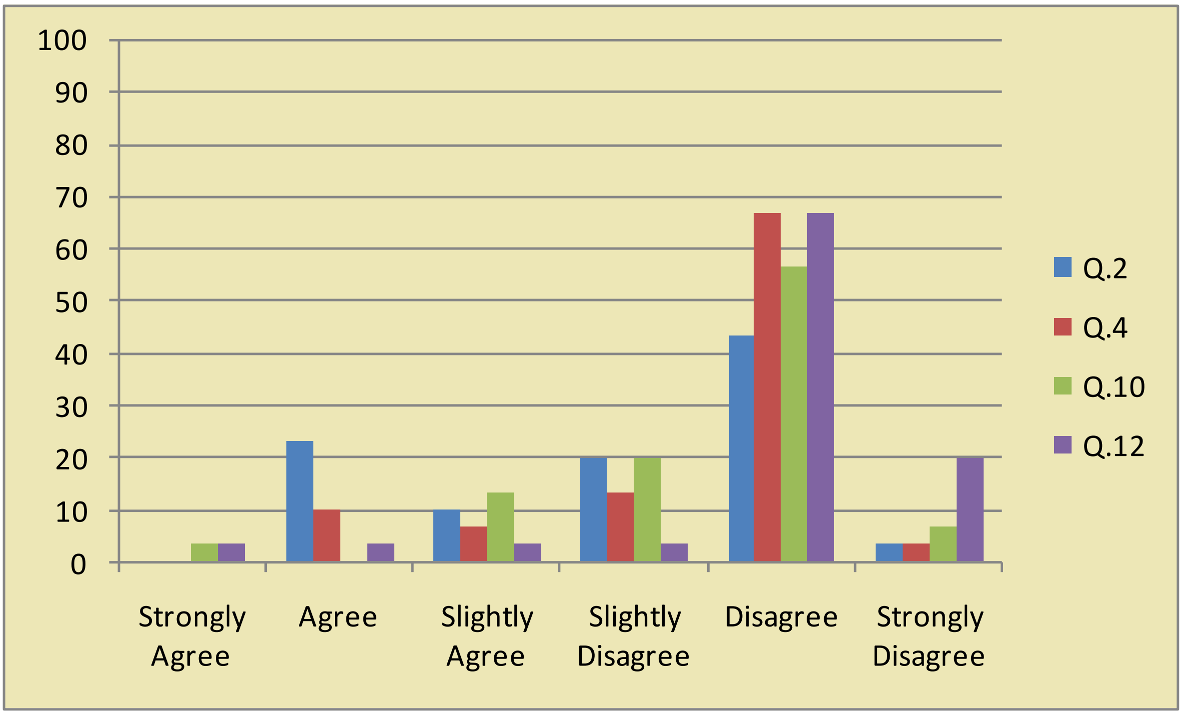

Figure 27: Cape Town Region: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Relationships with Customers

The Cape Town region seemed to disagree more on the whole when it came to whether or not the CPA had affected relationships with their customers. Interestingly, 20 percent strongly disagreed that they have had to settle a claim legally.

4.2.3c Conclusion

The proposition that the CPA has affected SMEs relationships with their customers was rejected by the construct, however not as blatantly as in the other propositions. The majority of the respondents disagreed with the proposition indicating that SMEs relationships with their customers have been largely unaffected by the implementation of the CPA, however there was a significant number of respondents who agreed that the CPA had affected their relationships with their customers.

3.2.4 *Effects of the CPA on the Sample's Efficiency*

In this proposition the created construct was assembled to determine whether or the CPA has affected efficiency of South African SMEs.

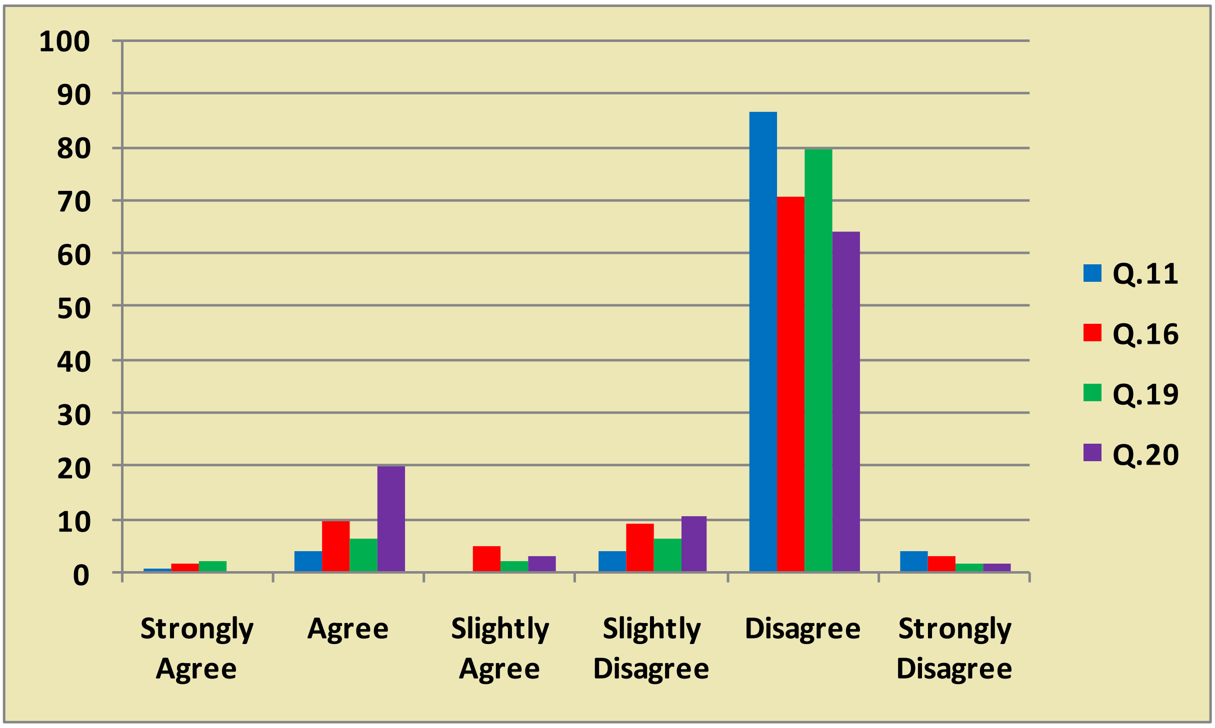

Figure 28: Bar Chart Illustrating the Construct of CPA's Effect on SME Samples' Efficiency

Table 7: Illustrating the Construct of CPA's Effect on SME Samples' Efficiency

	STRONGLY AGREE		AGREE		SLIGHTLY AGREE		SLIGHTLY DISAGREE		DISAGREE		STRONGLY DISAGREE	
	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N	% of Total	N
Q.11	0.8%	1	4.2%	5	0.0%	0	4.2%	5	86.7%	104	4.2%	5
Q.16	1.7%	2	10.0%	12	5.0%	6	9.2%	11	70.8%	85	3.3%	4
Q.19	2.5%	3	6.7%	8	2.5%	3	6.7%	8	80.0%	96	1.7%	2
Q.20	0.0%	0	20.0%	24	3.3%	4	10.8%	13	64.2%	77	1.7%	2
	TOTAL					14.2%	TOTAL					85.8%

The above construct did not pass the Cronbach's Alpha test resulting in an alpha of 0.47 (rounded to 2 decimal places, refer to Appendix B) indicating a weak relationship between each element of the construct, and hence not rendering the construct very reliable. Nonetheless, valuable information can be gained by the analysis of this construct, however no reliable conclusion can be drawn regarding the efficiency of SMEs.

Five percent of the sample responded that the way their business advertises has had to change significantly, 16.7 percent responded that they have had to invest a significant amount of the business's resources in order to put systems in place to accommodate for the CPA, 11.6 percent of the sample responded that the labelling of their products has had to change and 23.3 percent responded that their business has had to change the way it invoices. On the whole, the majority of the sample responded that the CPA had not affected their efficiency.

The literature existing on the CPA reinforces the effects that the legislation may potentially have on SMEs efficiency because, in order to comply with the legislation, many organisations were predicted to have to undergo significant changes to their structure in order to efficiently accommodate for the rules laid out by the CPA, and if organisations failed to comply with the new legislation then they would be exposed to heavy fines which would further injure their profitability and ultimately their efficiency. The fact that the majority of the respondents disagree that they have suffered any inefficiencies as a result of the implementation of the CPA lends one to the view that the CPA has not particularly affected the efficiency of SMEs in South Africa.

4.2.4a Effects of the CPA on the Different Sectors with respect to SMEs' Efficiency

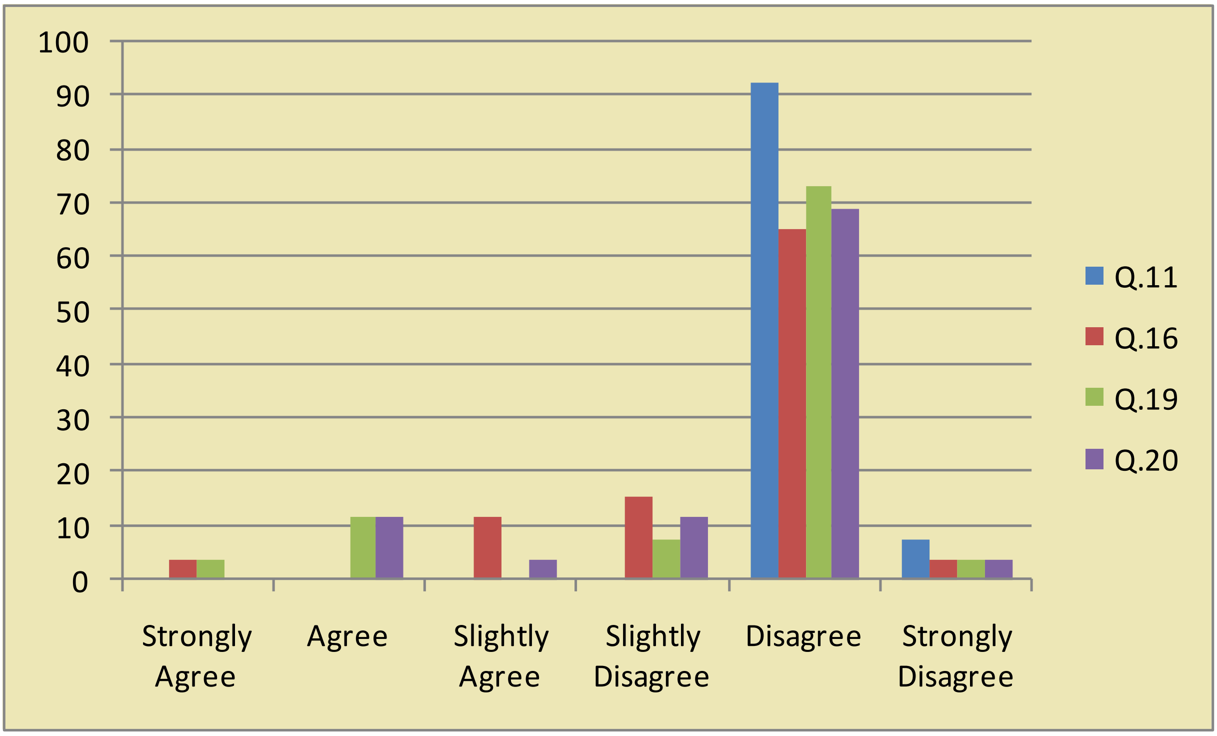

Figure 29: Manufacturing Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Efficiency

Within the manufacturing sector, 100 percent of the sample disagreed that their business had to change the way they advertised. 65 percent disagreed that the business had to put a significant amount of resources into systems which accommodate for the CPA, with 15 percent slightly disagreeing and 4 percent strongly disagreeing, totalling 84 percent. 86 percent disagreed that the way they label their products has had to change and 83 percent disagreed that the business has had to change the way they invoice.

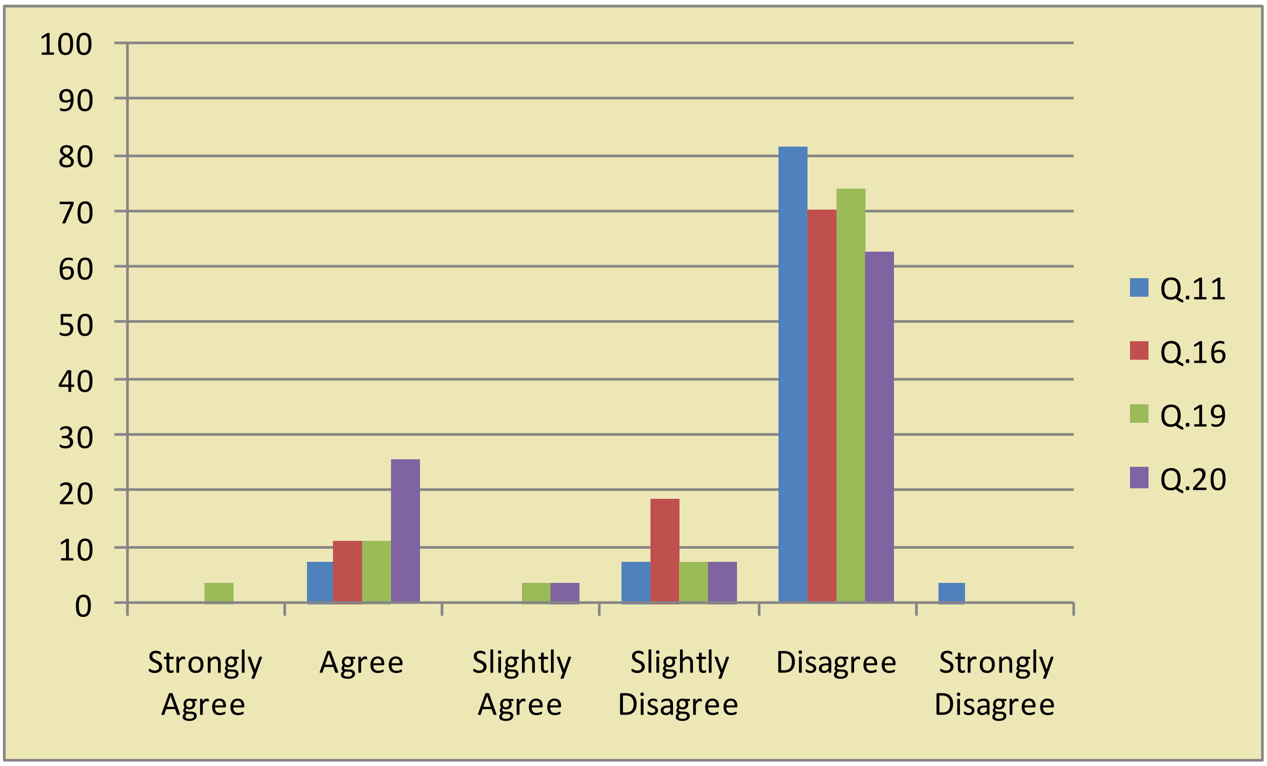

Figure 30: Wholesale Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Efficiency

The wholesale sector of the sample on the whole disagreed that the CPA has affected their efficiency. 30 percent agreed that they had to change the way they invoice and 16 percent agreed that they had to significantly change the way they label their products. 92 percent disagreed that they had to significantly change the way their business advertised and 89 percent disagreed that they had to spend a significant number of resources on systems which accommodate for the CPA.

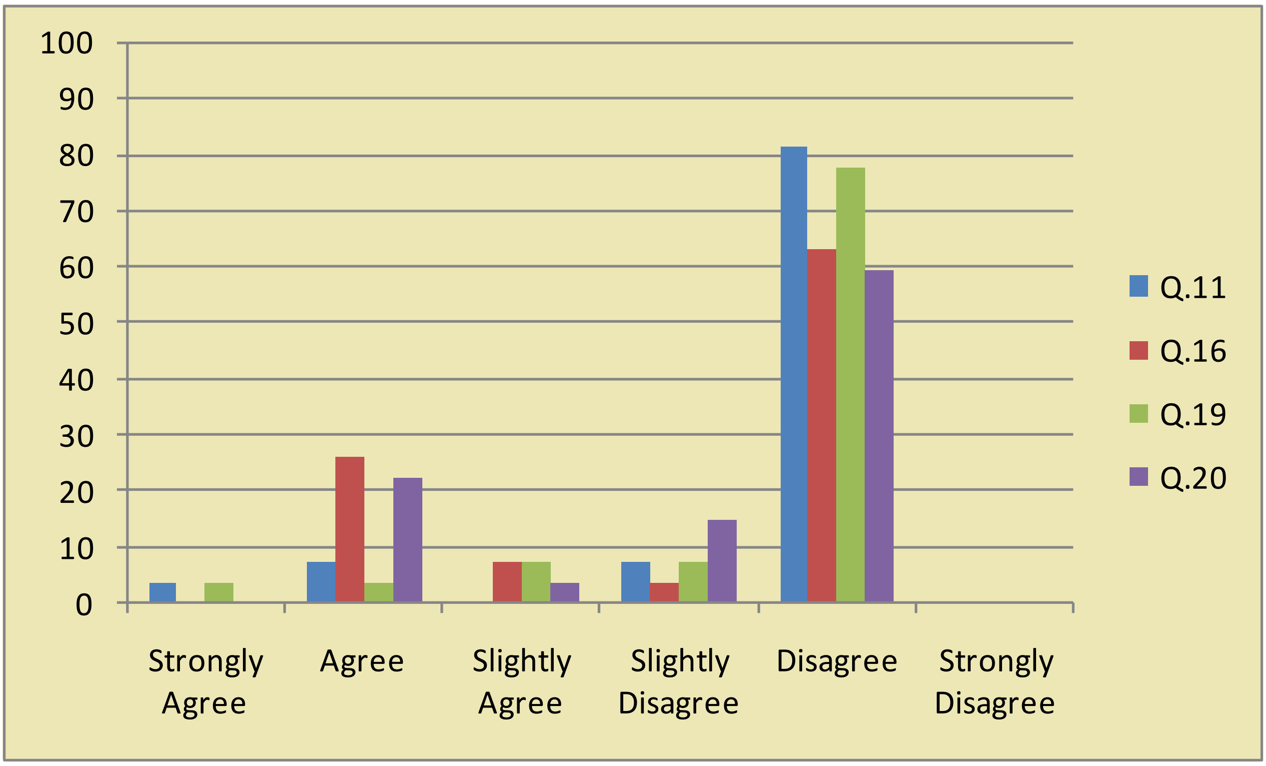

Figure 31: Retail Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Efficiency

The majority of the retail sector of the sample also disagreed that the CPA had affected the efficiency of their businesses, with two exceptions where 34 percent of the retail sector of the sample responded that a significant number of resources have been spent on systems accommodating for the CPA and 26 percent agreed that they had to change the format of their invoices as a result of the implementation of the CPA.

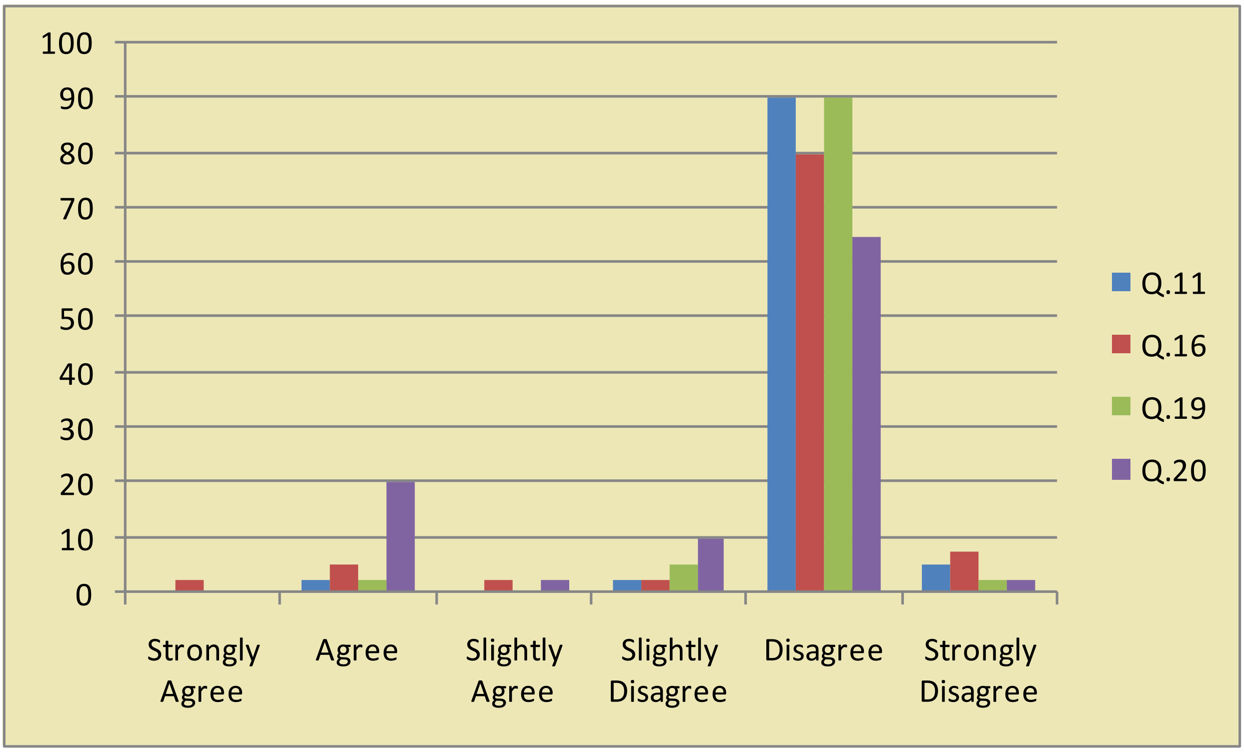

Figure 32: Services Sector: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Efficiency

The services sector also responded on the whole that their efficiency had not been affected by the implementation of the CPA. 22 percent agreed that they had to change the format of their invoices. 97 percent responded that they disagreed that the labelling of their products had to change.

4.2.4b Effects of the CPA on SMEs Efficiency by Region: Johannesburg and Cape Town

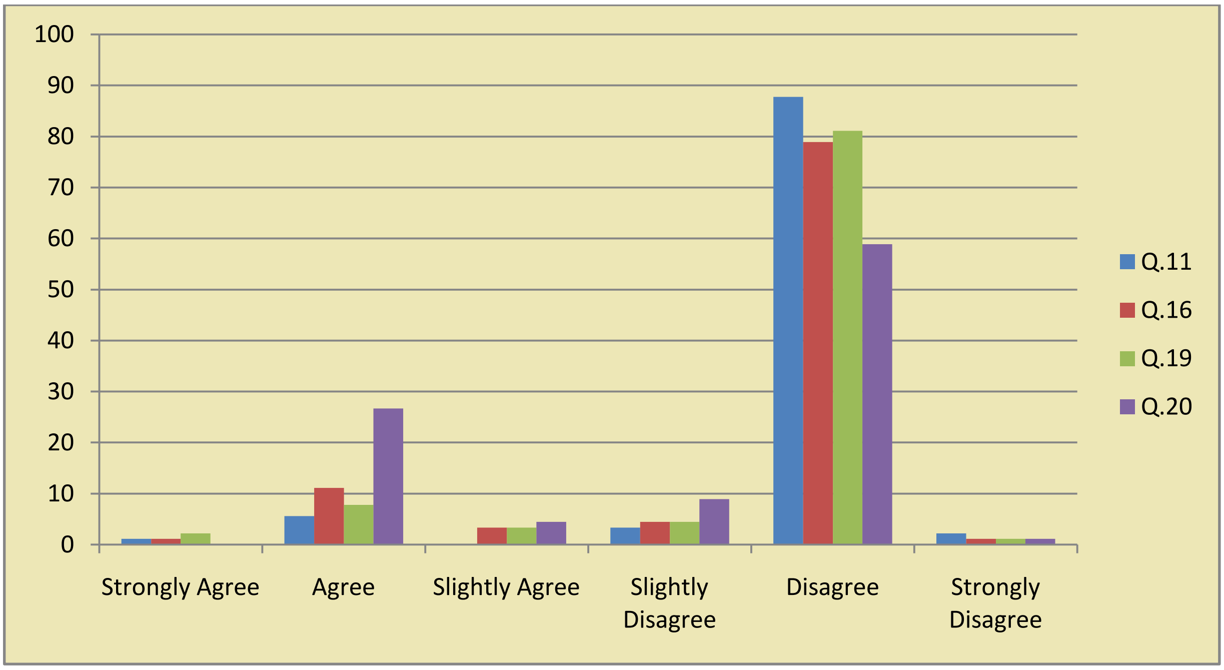

Figure 33: Johannesburg Region: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Efficiency

The majority of the Johannesburg region's SMEs disagreed that the CPA had affected their efficiency. 31 percent agreed that they had to change the way they invoice their clients, however 93 percent disagreed that the way their business advertises had to be changed, 86 percent disagreed that they had to change the labelling of their products and 84 percent disagreed that they had to invest business resources into implementing systems which accommodate for the CPA.

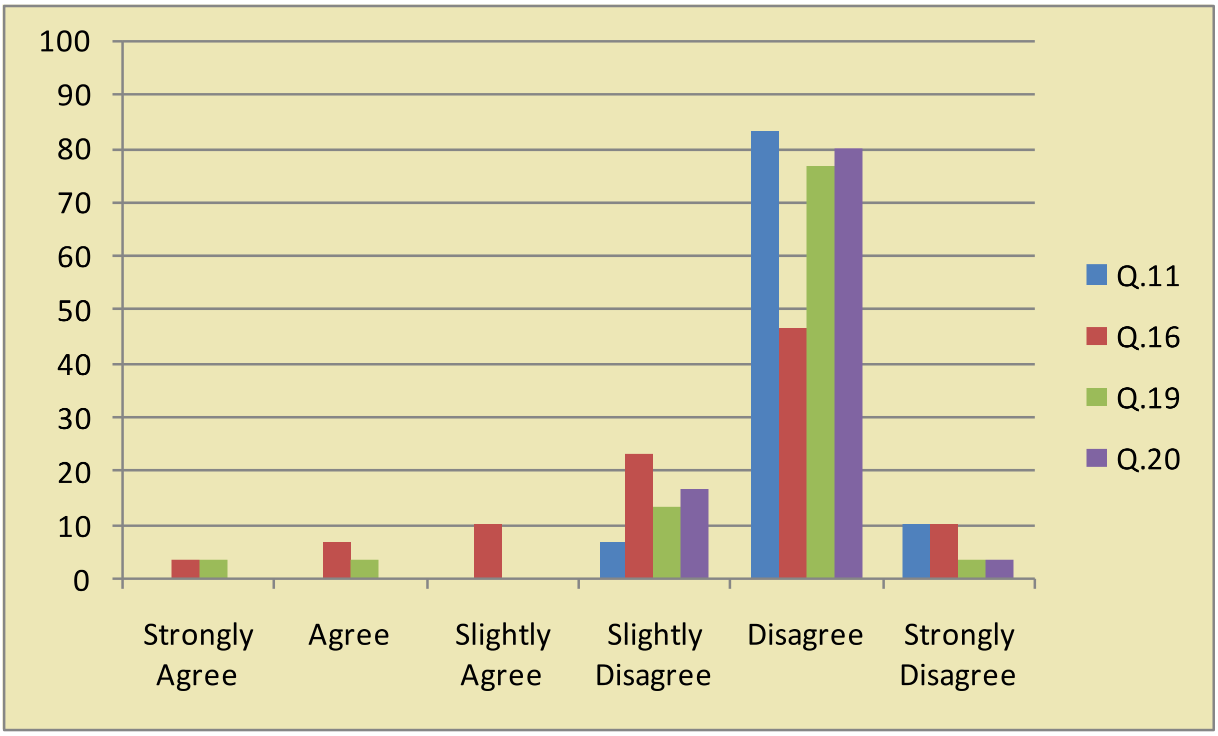

Figure 34: Cape Town Region: Bar Chart Illustrating the Percentage of the Sample's Responses relating to whether or not the CPA has affected their Efficiency

Similarly, Cape Town SMEs also disagreed that the CPA had affected their efficiency, with 18 percent agreeing that they had to invest significant business resources into systems and 6 percent agreeing that the way they labelled their products needed to change.

.***4.2.4c Conclusion***

The proposition that the CPA has affected SMEs efficiency was rejected by the construct, however one cannot firmly conclude this due to the weaker reliability of the construct. Nonetheless the majority of the respondents disagreed with the proposition indicating that SME efficiency has remained largely unaffected with the introduction of the CPA.

3.2.5 *Additional Research Findings*

Alongside the conducted telephonic interviews, respondents on more than one occasion made the following points which they often felt rather strongly about:

- On one or two occasions, SMEs have had customers enforce the CPA against them as an attempt to delay payment for services rendered or products delivered. For example, a respondent commented that he had product delivered to the client, however since it was a day late, the customer refused to pay for the product and said that he was within his rights to claim the product without payment. By the time the respondent sought legal advice, the customer responded that they made a mistake with regards to the interpretation of the CPA and then paid the respondent in full, albeit six months late and interest free.
- Respondents have mentioned on numerous occasions that the departments which have been put in place to handle consumer claims, namely, the Consumer Commission and the ombudsman, are extremely inefficient at processing claims. They appear to be untrained regarding the procedure of a claim, there seems to be a lack of system regarding the records of claims made, and matters are handled in a delayed manner.
- Often respondents were unaware of the CPA and its contents, resulting in the interviewer having to give a brief explanation of the CPA and its components. This usually resulted in respondents answering that they had not been affected by the CPA and its Sections in any way.

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The introduction of the Consumer Protection Act in South Africa in 2009 received a significant media attention and was certainly a topic of discussion amongst large retail organisations and enterprises as it was perceived to be a piece of legislation which was going to affect the way customers were handled, warranties, exchanges and refunds were concerned.

SMEs, which make up 91 percent of the South African economy (Arbor & Quartley, 2010), however, seem to be largely unaffected on the whole by the implementation of this new piece of legislation. Relationships with suppliers and customers as well as the overall efficiency of the organisations seemed to be largely unaffected.

While most SMEs had not yet accommodated for the CPA because they have not had the urgent need to do so, this tended to be attributed either to the fact that their customers were not considered as 'customers' according to the definition of a 'customer' in the Act or to the fact that it was still early days and the currently largely uninformed public was unaware of their rights as well as the procedure which one would be to follow if ever a dispute arose. This ultimately implies that there is often no direct consequence for SMEs if there is non-compliance of the Act.

A further point of concern which was raised by many of the interviewed SMEs was that relating to the implementation of the Act by the government and its legislative bodies. Often it was believed that claims were handled poorly, if at all, resulting in a culture where there is a lack of consequence to non-compliance.

This research would be pertinent for foreign investors, as well as start-up companies who are concerned about the potential threats which may be imposed on them by this rather daunting piece of legislation. Furthermore, governmental bodies can also benefit from this research in order to evaluate the effect which this piece of legislation has had on the overall economy, and would certainly be something to consider when assessing the ease of starting up a business in South Africa compared to other countries around the world.

5.2 CONCLUSIONS OF THE STUDY

The analysis of the questions in the interviews, and ultimately in the constructs created, led to the unanimous response where SMEs felt that they were unaffected by the implementation of the CPA in South Africa.

Regarding the Cooling off Period, almost none of the respondents felt as though they were affected by this Section of the Act. This can be understandable as the Cooling Off Period only applies to direct marketing and inertia selling, which is not currently used by the majority of SMEs.

SMEs relationships with their suppliers also seemed to be largely unaffected by the implementation of the Act. When broken down into sectors, all seemed to have similar responses indicating that companies' relationships with their suppliers are healthy enough to accommodate the new legislation. If not much changed, then one could infer that these relationships already had systems in place which were on par or above the standards imposed by the CPA.

SME's relationships with their consumers, on the other hand, were also reported to be largely unaffected, however a larger share of the sample responded that their relationships had been affected compared to their relationships with their suppliers. When delving into the sectors, the retail sector responded to have noticeably more change in their customer relationships than any other sector. This can be expected, as the end user is primarily to which the CPA was designed to apply.

The efficiency of SMEs as a result of the implementation of the CPA also remained largely unaffected, and this sentiment was shared across all sectors.

5.3 RECCOMMENDATIONS

The following are some recommendations relating to the CPA and SMEs in South Africa.

Firstly, one needs to keep in mind that this legislation is relatively young, and hence has not had a long time to infiltrate the economy completely, especially in rural regions where the majority of consumers are uninformed about their rights available to them as a consumer. In addition to this, the consumer needs to be educated as to how they go about making a legal claim against a company by using the judicial systems in place to deal with such matters.

Once this is in order, it is up to the governmental bodies to maintain the efficiency and effectiveness of such recourse avenues in order for the Act to be effective. If there are no consequences to deviating from the CPA's requirements, it is a lot less likely that SMEs will adhere to such strict requirements as many of these requirements are not in the firm's best short term interests.

Having said this, the CPA is in place to protect the end user of the product and service by placing the onus of responsibility on the retailer. This was anticipated to have ramifications all the way up the supply chain right the way through to the manufacturer, however in the end the majority of SMEs appear to remain largely unaffected by the introduction of this new, and very well-written piece of legislation. Nonetheless, companies should place attention on becoming informed as to their rights as a supplier as well as a consumer, as to not be faced with any unexpected legal action taken against them as well as to be aware enough to take legal action against another person if they do not abide by the requirements of the CPA.

By putting adequate systems into place to manage the new requirements of the act, this will enable resources to be freed up instead of dealing with administrative, legal and financial challenges which may be experienced. This ultimately will lead to the SME being more efficient and furthermore more competitive and attractive to deal with, from both a consumer's perspective as well as from a supplier's perspective.

A recommendation to government would be to insist that the Consumer Commission, the Magistrates courts and the consumer ombudsmen are all run efficiently with adequate checks and balances in place as to maintain their reliability and integrity.

A further recommendation to government would be to invest in awareness programmes where consumers in the more rural regions as well as uneducated consumers in more urban environments are informed about their rights and to focus on giving the consumers accurate and reliable information, as these rights have the potential to be easily misunderstood and misinterpreted.

An opportunity exists for legal firms to specialize in the CPA in order to consult and litigate for primarily companies and businesses as well as assist them in putting systems in place to accommodate for the new requirements.

5.4 SUGGESTIONS FOR FURTHER RESEARCH

- This study can be replicated across other regions within South Africa, namely the Pretoria region, Durban region, Port Elizabeth region and East-London region.
- The very same study can also be replicated a few years down the line when consumers maybe more informed than they currently are and may change their behaviours and demand more service and quality from retailers
- The same test can now be performed via hypothesis testing, using stricter rules and requirements in order to test, with confidence intervals and standard deviations, the exact degree to which SMEs have been affected by the implementation of the CPA
- The same study can be done, however focusing on specific industries and sectors rather than the entire south African economy as a whole
- The retail sector has a lot of room for research, as they are ultimately the most affected by the CPA since they deal with the end user consumer on a far more regular basis than any of the other sectors, therefore constructs created within the retail sector to assess the same propositions as assessed in this research report may potentially yield valuable results and information to draw substantive conclusions from
- Legal firms could be interviewed with the sample purely drawing from law firms and advocates to assess how frequently they deal with CPA matters and how efficient and effective the avenues for recourse are.

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Table 1 :Consistency matrix

The Impact of the Consumer Protection Act on SMEs in South Africa					
Sub-problem	**Literature Review**	**Propositions**	**Source of data**	**Type of data**	**Analysis**
The Impact that the Cooling off Period element of the CPA has had on SMEs	-Consumer Protection Act (2008)	The Cooling off Period will have an effect on South African SMEs	Respondents in structured interviews, Lickert Scales	Ordinal	Construct Analysis Chronbach Alpha
The impact that the CPA has on SMEs' relationships with their suppliers	Posthumus, C (2011) Consumer Protection Act (2008)	The implementation of the CPA will impact the relationship that SMEs have with their suppliers	Respondents in structured interviews, Lickert Scales	Ordinal	Construct Analysis Chronbach Alpha
The impact that the CPA has on SMEs relationships with their customers	-Consumer Protection Act (2008) Charter (2011) -Pepper, Michael S.Slabbert, M. Nothling(2011) -Posthumus, C (2011)	The implementation of the CPA will impact the relationship that SMEs have with their customers.	Respondents in structured interviews, Lickert Scales	Ordinal	Construct Analysis Chronbach Alpha
The impact that the CPA has had on SMEs efficiency	- Consumer Protection Act (2008) - Luterek (2011) - Cornelius (2011)	The implementation of the CPA will impact the efficiency of SMEs	Respondents in structured interviews, Lickert Scales	Ordinal	Construct Analysis Chronbach Alpha

APPENDIX A

Interview Questions

NOTE: The answer to each of these questions/statements has 6 options: Strongly Agree, Agree, Possibly, Possibly not, Disagree, Strongly Disagree

1. Agreements with suppliers have had to be significantly changed
2. Terms and conditions with consumers have had to be significantly changed
3. The CPA has negatively affected the cash flows of my business
4. Customers have enforced the CPA against my business
5. I have enforced the CPA against my suppliers
6. The quality of goods supplied to me has improved since the implementation of the CPA
7. The relationship with my suppliers has significantly changed since the introduction of the CPA
8. My suppliers have become more efficient since the introduction of the CPA
9. Business/sales have improved since the introduction of the CPA
10. Customer issues relating to the CPA are dealt with efficiently
11. The way the business advertises has had to be changed significantly
12. Have you ever had to settle a customer's claim legally?
13. Customers bring goods back to you within the 'cooling off period'?
14. The business ever returns goods under the 'cooling off period'
15. The 'cooling off period' has created administrative difficulties
16. A significant amount of time and business resources have been spent on butting systems into place to accommodate for the CPA
17. The 'cooling off period' has negatively affected the cash flows of the business significantly

18. The consistency of the quality of the goods supplied to the business has improved since the introduction of the CPA
19. Labelling of the products we sell has had to change significantly since the introduction of the CPA
20. The business has had to change the format of its invoices to comply with the CPA
21. On the whole, customers are more satisfied with their purchases/dealings since the introduction of the CPA
22. Customers are aware of their rights as a consumer or make the business aware that they are informed of their rights
23. The goods which customers bring back to be exchanged is usually valid (i.e. the consumer is not trying to be sneaky and bring back goods damaged by themselves)
24. The CPA has improved the relationships the business has with its customers
25. Since the introduction of the CPA, sales have increased because customers feel more comfortable buying now that they have a clear system of recourse available to them

APPENDIX B – CONSTRUCT RELIABILITY

COOLING OFF PERIOD CONSTRUCT

Q	AGREE		SLIGHTLY DISAGREE		DISAGREE		STRONGLY DISAGREE	
	% of Total	**N**	**% of Total**	**N**	**% of Total**	**N**	**% of Total**	**N**
13	4.17%	5	1.67%	2	88.33%	106	5.83%	7
14	1.67%	2	1.67%	2	90.83%	109	5.83%	7
15	1.67%	2	2.50%	3	90.83%	109	5.00%	6
17	2.50%	3	1.67%	2	90.83%	109	5.00%	6

Multivariate

Correlations

	13	14	15	17
13	1.0000	0.6841	0.7599	0.5251
14	0.6841	1.0000	0.6297	0.8471
15	0.7599	0.6297	1.0000	0.5514
17	0.5251	0.8471	0.5514	1.0000

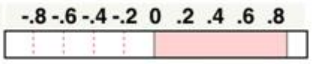
Univariate Simple Statistics

Column	N	DF	Mean	Std Dev	Sum	Minimum	Maximum
13	120	119.00	4.9167	0.6684	590.000	2.0000	6.0000
14	120	119.00	4.9917	0.4763	599.000	2.0000	6.0000
15	120	119.00	4.9750	0.4757	597.000	2.0000	6.0000
17	120	119.00	4.9583	0.5407	595.000	2.0000	6.0000

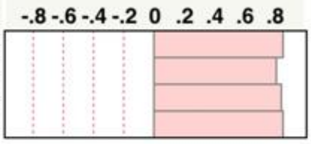
Note: Statistics were calculated for each column independently without regard for missing values in other columns.

Cronbach's α

	α
Entire set	0.8786



Excluded Col	α
13	0.8613
14	0.8143
15	0.8465
17	0.8584



SME RELATIONSHIPS WITH SUPPLIERS CONSTRUCT

Q	STRONGLY AGREE		AGREE		SLIGHTLY AGREE		SLIGHTLY DISAGREE		DISAGREE		STRONGLY DISAGREE	
	% of Total	**N**	**% of Total**	**N**	**% of Total**	**N**	**% of Total**	**N**	**% of Total**	**N**	**% of Total**	**N**
1	2.50%	3	10.00%	12	4.17%	5	8.33%	10	74.17%	89	0.83%	1
5	1.67%	2	11.67%	14	1.67%	2	6.67%	8	74.17%	89	4.17%	5
6	0.83%	1	8.33%	10	0.83%	1	8.33%	10	80.00%	96	1.67%	2
7	0.00%	0	7.50%	9	0.83%	1	6.67%	8	81.67%	98	3.33%	4
8	0.83%	1	10.83%	13	0.83%	1	5.00%	6	80.00%	96	2.50%	3
18	0.83%	1	3.33%	4	3.33%	4	3.33%	4	85.83%	103	3.33%	4

Multivariate

Correlations

	1	5	6	7	8	18
1	1.0000	0.2267	0.5676	0.2928	0.4952	0.4031
5	0.2267	1.0000	0.2137	0.4354	0.2896	0.1308
6	0.5676	0.2137	1.0000	0.4550	0.6508	0.5897
7	0.2928	0.4354	0.4550	1.0000	0.4148	0.1946
8	0.4952	0.2896	0.6508	0.4148	1.0000	0.4778
18	0.4031	0.1308	0.5897	0.1946	0.4778	1.0000

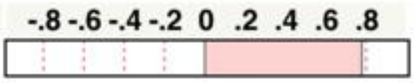
Univariate Simple Statistics

Column	N	DF	Mean	Std Dev	Sum	Minimum	Maximum
1	120	119.00	4.4417	1.1212	533.000	1.0000	6.0000
5	120	119.00	4.5250	1.1299	543.000	1.0000	6.0000
6	120	119.00	4.6333	0.9432	556.000	1.0000	6.0000
7	120	119.00	4.7250	0.8596	567.000	2.0000	6.0000
8	120	119.00	4.6000	1.0323	552.000	1.0000	6.0000
18	120	119.00	4.8000	0.7735	576.000	1.0000	6.0000

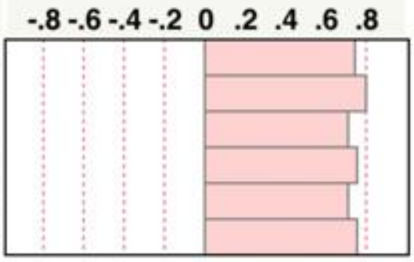
Note: Statistics were calculated for each column independently without regard for missing values in other columns.

Cronbach's α

	α
Entire set	0.7848



Excluded Col	α
1	0.7489
5	0.8051
6	0.7101
7	0.7593
8	0.7180
18	0.7635



SME RELATIONSHIPS WITH CUSTOMERS CONSTUCT

	STRONGLY AGREE		**AGREE**		**SLIGHTLY AGREE**		**SLIGHTLY DISAGREE**		**DISAGREE**		**STRONGLY DISAGREE**	
	% of Total	**N**	**% of Total**	**N**	**% of Total**	**N**	**% of Total**	**N**	**% of Total**	**N**	**% of Total**	**N**
2	4.17%	5	25.83%	31	9.17%	11	10.83%	13	49.17%	59	0.83%	1
4	1.67%	2	30.00%	36	5.00%	6	7.50%	9	53.33%	64	2.50%	3
10	1.67%	2	15.00%	18	10.00%	12	14.17%	17	55.83%	67	3.33%	4
12	1.67%	2	8.33%	10	0.83%	1	0.83%	1	79.17%	95	9.17%	11

Multivariate

Correlations

	2	4	10	12
2	1.0000	0.5252	0.3653	0.2517
4	0.5252	1.0000	0.4744	0.3402
10	0.3653	0.4744	1.0000	0.1771
12	0.2517	0.3402	0.1771	1.0000

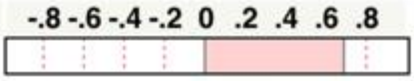
Univariate Simple Statistics

Column	N	DF	Mean	Std Dev	Sum	Minimum	Maximum
2	120	119.00	3.7750	1.4110	453.000	1.0000	6.0000
4	120	119.00	3.8833	1.4271	466.000	1.0000	6.0000
10	120	119.00	4.1750	1.2344	501.000	1.0000	6.0000
12	120	119.00	4.7500	1.0472	570.000	1.0000	6.0000

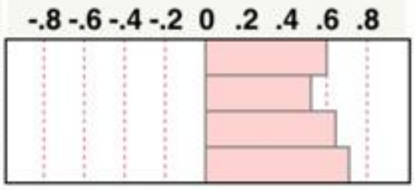
Note: Statistics were calculated for each column independently without regard for missing values in other columns.

Cronbach's α

	α
Entire set	0.6968



Excluded Col	α
2	0.6048
4	0.5238
10	0.6459
12	0.7152



SME EFFICIENCY CONSTRUCT

	STRONGLY AGREE		AGREE		SLIGHTLY AGREE		SLIGHTLY DISAGREE		DISAGREE		STRONGLY DISAGREE	
	% of Total	**N**	**% of Total**	**N**	**% of Total**	**N**	**% of Total**	**N**	**% of Total**	**N**	**% of Total**	**N**
11	0.83%	1	4.17%	5	0.00%	0	4.17%	5	86.67%	104	4.17%	5
16	1.67%	2	10.00%	12	5.00%	6	9.17%	11	70.83%	85	3.33%	4
19	2.50%	3	6.67%	8	2.50%	3	6.67%	8	80.00%	96	1.67%	2
20	0.00%	0	20.00%	24	3.33%	4	10.83%	13	64.17%	77	1.67%	2

Multivariate

Correlations

	11	16	19	20
11	1.0000	0.3617	0.1138	0.0781
16	0.3617	1.0000	0.2450	0.0759
19	0.1138	0.2450	1.0000	0.2611
20	0.0781	0.0759	0.2611	1.0000

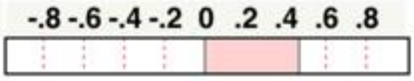
Univariate Simple Statistics

Column	N	DF	Mean	Std Dev	Sum	Minimum	Maximum
11	120	119.00	4.8417	0.7559	581.000	1.0000	6.0000
16	120	119.00	4.4750	1.1074	537.000	1.0000	6.0000
19	120	119.00	4.6000	1.0158	552.000	1.0000	6.0000
20	120	119.00	4.2417	1.2230	509.000	2.0000	6.0000

Note: Statistics were calculated for each column independently without regard for missing values in other columns.

Cronbach's α

	α
Entire set	0.4668



Excluded Col	α
11	0.4086
16	0.3570
19	0.3373
20	0.4800