

# Competition dynamics among foreign and local businesses in Chris Hani District Municipality: the role of product diversification and pricing strategies

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## ABSTRACT

*The primary objective of this study is to elucidate the impact of competitive interactions between local and multinational businesses in the townships and rural areas of the Chris Hani District Municipality (CHDM), Eastern Cape, South Africa. This study examines the effects of selected tactics between local and foreign firms operated by local and foreign traders in townships and rural areas within the CHDM. We utilised a quantitative research methodology, employing questionnaires to collect data. In the comprehensive model, the indirect influence of product diversity (PD) on competition dynamics (CD) via pricing strategy (PS) is negligible and statistically insignificant. Likewise, the mediating effect is little for both international and domestic enterprises. These data indicate that whereas PD directly affects CD in certain settings, PS does not serve as a substantial intermediary. The results underscore the direct influence of PD on CD, especially with overseas enterprises. The mediating impact of PS is minimal, and the significance of diversity for competition varies considerably between foreign and domestic enterprises. These findings indicate the necessity for customised diversification strategies contingent upon the business situation to improve competitive posture.*

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## Introduction

Following South Africa's attainment of independence and democracy in 1994 (Vigneswaran, 2020), there was a surge of foreign nationals resulting from the intricate interplay of migration with political, socio-economic, and environmental factors (Burge, 2022). Furthermore, the influx of foreign nationals to South Africa is attributed to political instability, civil unrest, warfare (Chidhume et al., 2024), and egregious human rights violations, including extrajudicial killings, torture, arbitrary detention, and gang rape in their countries of origin (Blade, 2022). Foreign nationals have been migrating to South Africa due to projected prospects for an improved living (Rugunanan & Xulu-Gama, 2022), economic opportunities (Asoba & Mefi, 2021), enhanced security, and superior quality of education and healthcare (Blade, 2022). According to Mlambo and Ndebele (2020), the majority of political and economic refugees originated from nations including China, Ethiopia, India, Mozambique, Pakistan, Somalia, Swaziland, and Zimbabwe. Upon resettling in South Africa, certain refugees identified an opportunity and began enterprises as a means of survival.

Numerous studies (Adaga et al., 2024; Decker & Haltiwanger, 2023; Gamede, 2023; Moloto & Muchie, 2023; Odeyemi et al., 2024) confirm that entrepreneurship fosters the economic progress of nations. Consequently, as many foreign nationals have challenges in securing official employment, they have leveraged their entrepreneurial skills to establish and manage lucrative enterprises in South Africa (Dickau et al., 2021). They have created a diverse array of enterprises, including warehouses, hardware stores, and various retail outlets (Mukwarami et al., 2020) throughout South African urban centres, townships, and rural regions (Basu & Pruthi, 2021). A burgeoning number of spaza shops is also evident. Malgas & Zondi (2020) characterise spaza shops as diminutive grocery establishments owned and operated by both local and foreign individuals, functioning inside townships and rural locales. Until

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November 2024, the majority of them remained unregistered. Consequently, foreign nationals' business flourishes in South Africa, especially after the dissolution of apartheid (Asoba & Mefi, 2021).

Research (Henama & Sifolo, 2020; Ngota et al., 2019) has been conducted on the essential success factors that motivate foreign entrepreneurs to establish and sustain their enterprises. Consequently, for enterprises held by foreign nationals to thrive, certain conditions must be fulfilled, establishing competitive dynamics (CD) between migrant and local entrepreneurs. Schilke (2014) posits that the dynamic capabilities perspective indicates that the degree to which dynamic skills foster competitive advantage is contingent upon the operational environment of organisations. This study examines product diversification (PD) and pricing strategy (PS) as tactics and techniques for enhancing operational performance (Manik, 2020).

The primary objective of this study is to elucidate the impacts of the CD on local and international firms in the townships and rural areas of the Chris Hani District Municipality (CHDM), Eastern Cape, South Africa. This study aims to analyse the effects of selected methods between local and foreign firms owned by local and foreign traders in townships and rural areas within the CHDM. This study examines the tactics utilised by migrant and local firms to generate profit and the impact of these strategies.

Entrepreneurship fosters the economic advancement of nations. For both local and foreign-owned enterprises to thrive, specific tactics and procedures are needed. This encompasses operational and performance-enhancing strategies, including entrepreneurial acumen, professional development, purchasing strategies, and collective bulk purchasing power (Mago, 2020). To comprehend the intricacies of the CD, we have conducted a comprehensive analysis that emphasises four key areas of study, including PD and PS of domestic and international enterprises. This is undertaken due to the presumption that disparities exist in the operational methods of migrants and locals in managing their enterprises.

Research (Agusto, 2012; Aigboje, 2018; Gathoga, 2001; Joy, 2013; Karanja, 2002; Murage, 2011; Sascha & Caroline, 2012) has been conducted on CD, concentrating on its application in various industries throughout select African nations. Despite the restricted literature on this topic, much scholarly focus has been directed on the concept of CD across many industries; however, the empirical review indicates a deficiency in research concerning foreign and local enterprises in townships and rural regions of South Africa. This research was conducted to address the knowledge gap identified by Miles (2017). This was accomplished by assessing the impact of operational and performance-enhancing strategies, such as PD and PS, on CD inside foreign and local enterprises in townships and rural regions. The impact of CD on both international and domestic enterprises in township and rural regions is detailed further in this paper.

This paper is structured as follows: The subsequent section comprises a literature review featuring theoretical and empirical studies that elucidate the connection between theory and practice. The third section delineates the approach, followed by the presentation of findings, debates, and consequences. This paper ultimately finishes with essential points, recommendations, future research avenues, and limitations.

## **Literature Review**

### **Theoretical and Conceptual Background**

#### **Resource-based theory**

This CD and corporate profitability study is based on Penrose's (1959) Resource-Based theory (RBT). RBT draws focus to businesses' internal environment as an enabler for competitive moves and accentuates the resources that organisations have established to compete in the business environment. As researchers contributing to the resource-based view, we contend that only strategically significant and valuable resources and competencies should be regarded as sources of competitive advantage (Barney 1991). Thus, we use terms like core competencies (Barney, 1991) and strategic tactics (Markides & Williamson, 1994) to show the strategically important resources and competencies, which provide a business with a potential competitive edge.

The RBV explains the interactions and utilisation of the variables of this study, CD, pricing actions, and new product launches as drivers of CD and profitability (McWilliams & Siegel, 2011). Therefore, businesses that deal with product launches and price competition engage in competitive actions compared to their direct rivals (Lumpkin & Dess, 1996). Consequently, RBV is relevant for the current situation because, when business owners use strategies such as pricing and PD, they will be able to retain and improve their business performance. Based on the above discussions, it can be noted that the RBV is considered an elevator of the performance of businesses in the informal sector of Eastern Cape Province.

#### **Empirical Review and Hypothesis Development**

Numerous studies (Henama & Sifolo, 2020; Ngota et al., 2019; Trung et al., 2020; Williams & Krasniqi, 2018) have been conducted on factors that convince migrants to open and sustain their businesses. Manik (2020) states that business owners need certain skills, strategies, and practices to operate and strengthen their business performance. These skills, as indicated in this study, include PD and PS. These are expatiated below.

### Product Diversification of Local and Foreign Businesses

PD refers to the extension of businesses in different product subdivisions (Arte & Larimo, 2022). While international and PD coexist in an international business context, the interaction between the two is complex, and the extant literature has provided competing views on their combined effect on business performance. One view argues that businesses exploit the synergies arising from international and PD to enhance performance (Grillitsch et al., 2022). The synergy from a dual-diversification strategy creates an environment in which businesses obtain economies of scale by using common brand names and production facilities to serve different geographies or by introducing new products to cater to the demands of diverse customer groups (Yuan et al., 2022).

According to Etim and Daramola (2020), the success of migrants in their businesses has been achieved through the proper positioning of products. Ngcai (2018) claimed that migrant-owned businesses have a competitive edge because of PD. Migrant businesses engage in differentiating their product offerings, which then gives them a competitive edge and strengthens their business performance. Therefore, proper positioning of the products can drastically elevate the performance of businesses in the informal sector.

Etim and Daramola (2020) assert that effective PD has contributed to migrants' success in businesses. According to Ngcai (2018), the variety of products offered by migrant-owned businesses gives them a competitive advantage. Migrant businesses differentiate their product offers to get a competitive advantage and improve the performance of their businesses. Therefore, strategic product placement can significantly improve the performance of businesses in the informal sector. PD makes use of an established operating infrastructure and benefits from the business's familiarity with the target market (Jha et al., 2021).

Yuan et al. (2022) posit that PD affects the performance of small businesses in the informal sector. Although product and international diversification coexist in an international business context, their interaction is complex, and the work that has already been published has offered conflicting perspectives on how the two together affect business performance. According to one theory, businesses can perform better if they make use of the synergies brought about by PD (Grillitsch et al., 2022). A PD synergy fosters an environment where businesses can achieve economies of scale by utilising production facilities to service several geographic areas or by launching new products to meet the demands of various client segments (Yuan et al., 2022).

### Pricing Strategies of Local and Foreign Businesses

Better PS aid informal businesses in ascertaining the level at which they can maximise their profit (Lamb et al., 2019). Consequently, there are some ranges of aspects to be considered when entrepreneurs are setting prices. For example, an entrepreneur might go for a participative PS. This is the type of PS where customers are involved in deciding the price of a product (Rathore et al., 2022). Various businesses employ an array of participative PS. Amongst these strategies are auctions, name-your-own-price, and pay-what-you-want (Wang et al., 2021).

Small businesses in the informal sector must maintain a high level of product quality to remain competitive and survive, as well as provide consumers with affordable rates (Mburu, 2021). One of the most difficult issues a small business owner will have to face is pricing (Durango et al., 2022). Price has a direct impact on the bottom line, and when things are priced appropriately, price can give a business a competitive advantage. Every business that produces consumer goods and services needs to have a PS since it provides information about the business and its products. Businesses do not establish one price for all their products; instead, they have a pricing structure that applies to various things in their line (Hamilton-Ibama & Owuso, 2022).

The PS entails establishing a low entry price for a new product or brand to get recognition in a highly competitive industry. The tactic can also be applied when introducing a brand-new product to the market or when expanding the market for an existing product (Saidi et al., 2021). A substantial correlation between pricing and business performance was found in the price you decide to charge. Furthermore, Kawira (2021) stated that taking pricing consideration into account has a considerable favourable impact on business success.

To survive and compete, small businesses in the informal sector need to consistently produce high-quality goods at competitive prices for their customers (Mburu, 2021). Pricing is one of the most challenging decisions a small business owner will have to make (Durango et al., 2022). Every business that sells consumer goods and services needs to have a PS since it tells customers something about the business and its offerings. Thus, pricing decisions can provide a business with a competitive edge since they have a direct impact on the bottom line. Businesses need to have a pricing system that applies to numerous items in their range rather than setting a single price for all their products (Hamilton-Ibama & Owuso, 2022).

Based on the above, the following hypotheses were tested at the 5% level of significance:

- i. *H1: PD statistically significantly influences CD among foreign and local businesses.*
- ii. *H2: PS statistically significantly influences CD among foreign and local businesses.*
- iii. *H3: PD has a statistically significant influence on the determination of PS among foreign and local businesses.*
- iv. *H4: PS mediates the relationship between PD and CD among foreign and local businesses.*
- v. *H5: There is a statistically significant difference in the effects of PD and PS on CD between local and foreign businesses.*

## Research and Methodology

The intricacies of this study necessitate a quantitative research approach to test prejudice and cause-effect hypotheses about CD of local and foreign-owned businesses in townships and rural areas in the CHDM.

The positivist research paradigm shaped this study's methods and results (William, 2024). Our study used numbers and statistics to reflect positivism's rigidity and quantitative approach (Karambakuwa, 2024). By adopting a positivism paradigm, our study aimed to discover, quantify, and evaluate CD by predicting relationships between variables (Schurink et al., 2024). Thus, positivism emphasises quantitative methods (Acharya, 2024).

The target population was local and foreign-owned businesses in townships and rural areas, with a purposive sampling of 300 businesses. A closed-ended questionnaire was used to collect data. We exclusively used Smart PLS-SEM to analyse the data. We obtained an ethical clearance certificate from Walter Sisulu University (WSU) and took five measures to maintain the self-respect and dignity of the respondents.

### Model Specification

This study aimed to determine the roles of PD and PS in the CD among foreign and local businesses. Taking cognisance of the fact that variations may occur between foreign and local businesses, we analysed these relationships for a complete dataset for each type of business. Then, we investigated whether there were any statistically significant differences in the predictive roles of PD and PS on CD between foreign and local businesses. We also examined the indirect effect of PS on PD and CD. As a result, the model was specified as presented in Figure 1.

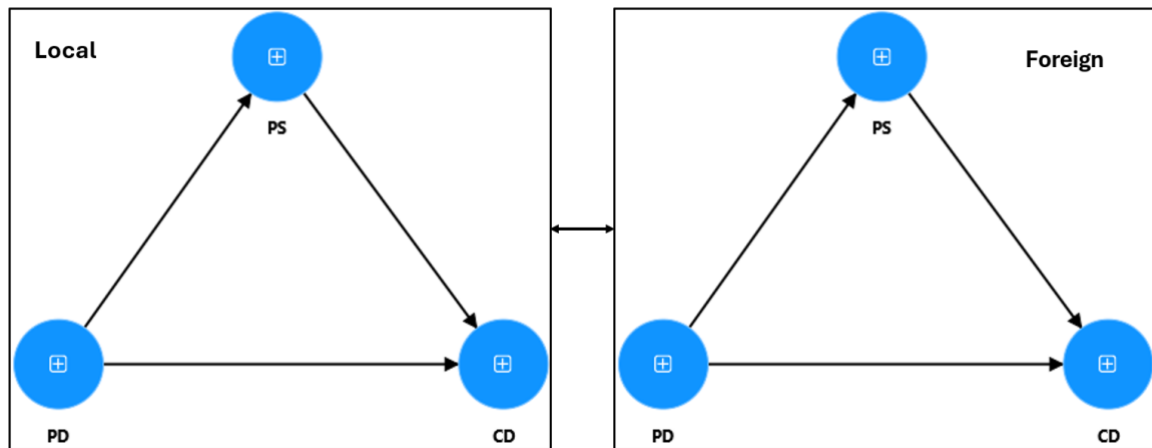


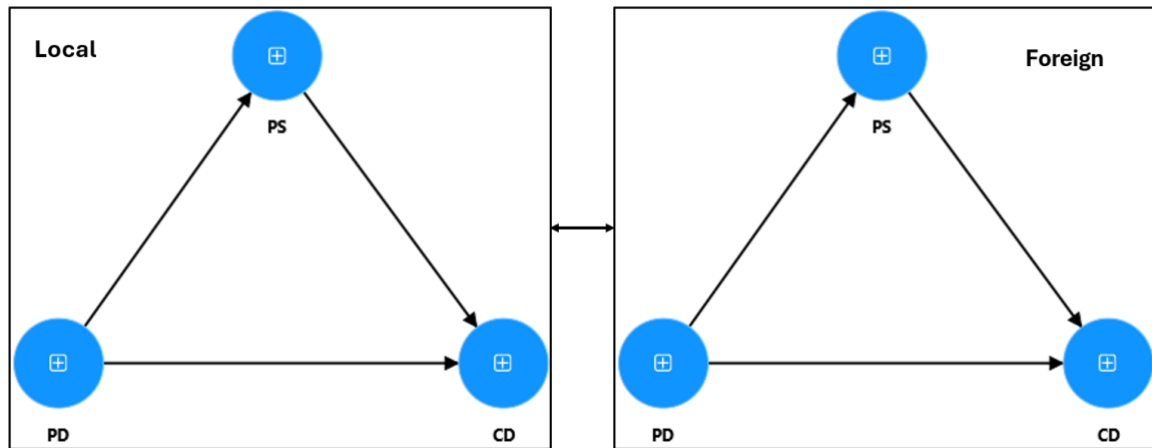
Figure 1: Model Specification

## Results and Discussions

### Results

#### Model Specification

This study aimed to determine the roles of PD and PS in the CD among foreign and local businesses. Taking cognisance of the fact that variations may occur between foreign and local businesses, we analysed these relationships for a complete dataset for each type of business. Then, we investigated whether there were any statistically significant differences in the predictive roles of PD and PS on CD between foreign and local businesses. We also examined the indirect effect of PS on PD and CD. As a result, the model was specified as presented in Figure 1.



**Figure 2: Model Specification**

### Measurement Model Assessment

As discussed earlier, we tested the five hypotheses using Smart PLS-SEM. Per the recommended guidelines (Hair et al., 2019), the measurement model was initially assessed for a complete dataset to determine whether all PLS-SEM requirements were met. Initially, the construct PD had five indicators, PS had six indicators, and CD had nine indicators. Per the recommended criteria (Hair et al., 2017), indicators with outer loadings of 0.708 and above are considered consistent in measuring a particular construct. In terms of construct reliability and validity, Cronbach's Alpha, which measures the internal consistency of the indicators for a construct, was used. Similarly, composite reliability was also used, considering the differing contributions of indicators. Cronbach's Alpha and composite reliability values greater than or equal to 0.7 are acceptable. Regarding construct validity, we assessed the average variance extracted (AVE), which measures the extent to which a construct explains the variance of its indicators. An AVE greater than or equal to 0.50 indicates sufficient convergent validity. The Fornell-Lacker criterion was used to assess the discriminant validity. Discriminant validity assesses whether a construct is distinct from other constructs in the model. It ensures that constructs measure different concepts and are not excessively correlated.

Upon running the model, most indicators had factor loadings greater than or equal to 0.7. Some indicators with loadings below this threshold were retained because the overall construct reliability, validity, and discriminant validity met the recommended thresholds (Hair et al., 2017). However, the analysis revealed that certain indicators exhibited high variance inflation factors (VIFs), exceeding the recommended threshold of 5 (Hair et al., 2021). Specifically, CD2 and CD9 had VIFs of 14.143 and 13.155, respectively, while PS1 and PS6 had VIFs of 26.289 and 26.857. This indicated multicollinearity, suggesting redundancy among these indicators.

To address this issue, indicators CD9 and PS6 were excluded based on theoretical considerations. The revised model, run without these indicators, satisfied all recommended assessment criteria. Detailed results for factor loadings and VIFs (Table 1), construct reliability and validity (Table 2), and discriminant validity (Table 3) are presented.

Based on the results displayed in Table 1, most indicators demonstrated acceptable factor loadings ( $\geq 0.708$ ), confirming that they are reliable measures of their respective constructs. Some exceptions were noted, such as CD5 (loading = 0.602) and PD2 (loading = 0.600). However, these indicators were retained because their removal did not improve the measurement model's reliability and validity.

**Table 1: Factor Loadings and VIFs for Complete Dataset**

Indicators	CD	PD	PS	VIFs
CD1	0.791			4.408
CD2	0.791			2.869
CD3	0.786			2.626
CD4	0.717			2.063
CD5	0.602			1.349
CD6	0.754			2.014
CD7	0.701			2.930
CD8	0.627			1.676
PD1		0.769		1.615

PD2	0.600	1.356
PD3	0.667	1.426
PD4	0.699	1.382
PD5	0.808	1.683
PS1	0.683	1.560
PS2	0.836	2.790
PS3	0.712	1.782
PS4	0.906	3.427
PS5	0.832	2.048

For the complete dataset, results displayed in Table 2 show that all constructs demonstrated strong internal consistency, with Cronbach's Alpha and CR values exceeding the minimum threshold of 0.7. Convergent validity was also confirmed for all constructs, as the AVE values were above the required threshold of 0.50. These results indicate that the measurement model is reliable and adequately captures the variance of its indicators.

**Table 2:** Construct Reliability and Validity

Variables	Complete			Foreign			Local		
	Alpha	CR	AVE	Alpha	CR	AVE	Alpha	CR	AVE
CD	0.872	0.897	0.525	0.923	0.938	0.658	0.763	0.738	0.239
PD	0.756	0.836	0.508	0.744	0.830	0.498	0.754	0.774	0.505
PS	0.860	0.897	0.637	0.833	0.812	0.474	0.883	0.929	0.667

Source: Researchers' own

When examining the constructs for foreign businesses, similar patterns of reliability and validity were observed (Table 2). CD and PD showed strong internal consistency and sufficient AVE values, affirming convergent validity. However, PC displayed a slightly lower AVE of 0.474, which, although below the recommended threshold, is close enough to suggest acceptable validity given the context. These results indicate that the constructs are measured reliably in the context of foreign businesses, with minor concerns regarding the convergent validity of PS.

In contrast, the constructs for local businesses revealed some challenges. While PD and PS met the minimum thresholds for reliability and validity, CD exhibited weaker reliability, with a Cronbach's Alpha of 0.763 and insufficient convergent validity, as indicated by an AVE of 0.239. These findings suggest that the CD construct may not be as effectively captured in the local business context, highlighting potential issues with indicator formulation or applicability in this subset.

Table 3 further evaluates the measurement model's discriminant validity using the Fornell-Larcker criterion.

**Table 3:** Discriminant Validity: Fornell-Larcker criterion

Variable	Complete			Foreign			Local		
	CD	PD	PS	CD	PD	PS	CD	PD	PS
CD	0.724			0.811			0.488		
PD	0.504	0.713		0.663	0.706		0.400	0.711	
PS	0.147	0.124	0.798	-0.017	-0.110	0.689	0.184	0.155	0.817

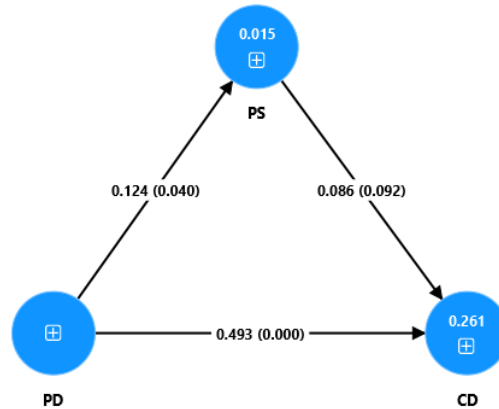
Source: Researchers' own

For the complete dataset (Table 3), the square root of the AVE for each construct exceeded its correlations with other constructs, confirming sufficient discriminant validity. This indicates that each construct is distinct and captures a unique aspect of the measurement model. Similarly, for foreign businesses, the results demonstrated adequate discriminant validity across all constructs, reinforcing the robustness of the model for this subgroup. In the local business subset, the square root of the AVE for each construct exceeds its correlations with other constructs, confirming that all constructs satisfy the Fornell-Larcker criterion for discriminant validity.

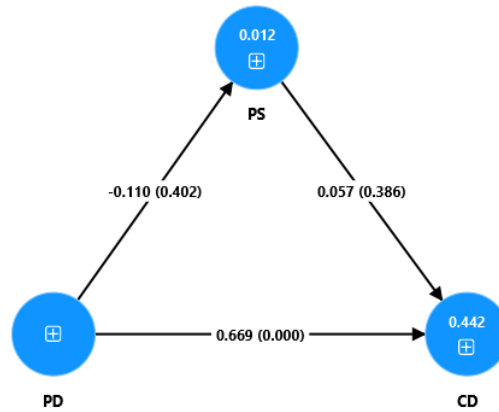
In summary, it is worth noting that while the measurement model exhibits strong reliability and validity overall, there are notable differences between foreign and local businesses. The CD construct requires closer scrutiny in the regional context to address issues of insufficient construct reliability and validity.

### Structural Model Assessment

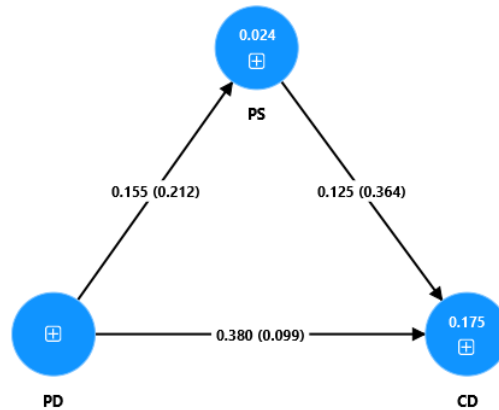
The structural model was assessed by examining the model's explanatory power through the coefficients of determination ( $R^2$  values) for the endogenous variables across the three samples (complete model, foreign businesses, and local businesses). The  $R^2$  values ranged from 0.012 to 0.442, as shown in Figures 2, 3, and 4.



**Figure 3:** Path Coefficients and P-values for a Complete Model



**Figure 4:** Path Coefficients and P-values for Foreign Business Model



**Figure 5:** Path Coefficients and P-values for Foreign Business Model

According to Hair et al. (2013), these  $R^2$  values are categorised as weak to moderate. Although the explanatory power of the model appears limited, it is important to consider that  $R^2$  values are influenced by the number of predictors, the heterogeneity of the sample, and the research discipline. For instance, as highlighted by Mukuka and Alex (2024), weak  $R^2$  values in some disciplines may still provide valuable insights, especially in exploratory research contexts. Similarly, Raithel et al. (2012) argue that  $R^2$  values of 0.1 to 0.2 can be acceptable depending on the study's specific circumstances. Based on these insights from existing literature, it was deemed appropriate to proceed with interpreting structural relationships considering the heterogeneity of the respondents who provided data for this analysis.

The results for the structural model (as displayed in Table 4 and Table 5) are interpreted under three key sections: Direct Effects, Mediation Analysis, and Multigroup Analysis.

**Table 4:** Direct and Indirect Relationships Among Variables

Hypothesis	Complete			Foreign			Local		
	$\beta$	<i>T</i>	<i>P</i>	$\beta$	<i>T</i>	<i>P</i>	$\beta$	<i>T</i>	<i>P</i>
PD → CD	0.493	10.91	0.000	0.669	13.93	0.000	0.380	1.652	0.099
PD → PS	0.124	2.055	0.040	-0.110	0.839	0.402	0.155	1.247	0.212
PS → CD	0.086	1.686	0.092	0.057	0.867	0.386	0.125	0.909	0.364
PD → PS → CD	0.011	1.200	0.230	-0.006	0.611	0.541	0.019	0.650	0.516

Source: Researchers' own

### Direct Effects

The analysis of direct effects in Table 4 reveals significant relationships in some contexts. In the complete model, PD exhibits a strong and statistically significant positive effect on CD ( $\beta = 0.493, p < 0.001$ ), indicating that diversification enhances competitive positioning. PD also has a small but significant positive effect on PS ( $\beta = 0.124, p = 0.040$ ). However, the influence of PS on CD is not statistically significant ( $\beta = 0.086, p = 0.092$ ).

For foreign businesses, the effect of PD on CD is even stronger ( $\beta = 0.669, p < 0.001$ ), highlighting the critical role of diversification in fostering competition among foreign entities. However, neither the relationship between PD and PS ( $\beta = -0.110, p = 0.402$ ) nor between PS and CD ( $\beta = 0.057, p = 0.386$ ) is statistically significant. In contrast, the local businesses show a weaker effect of PD on CD ( $\beta = 0.380, p = 0.099$ ), which is marginally insignificant. Similarly, the effects of PD on PS ( $\beta = 0.155, p = 0.212$ ) and PS on CD ( $\beta = 0.125, p = 0.364$ ) remain non-significant, suggesting a limited influence of diversification and PS on competition within the local context. The testing of hypotheses is tabulated below.

**Table 5:** Summary of Hypothesis Testing Results

Hypothesis	$\beta$	<i>T-value</i>	<i>P-value</i>	Hypothesis Test Result
H1: PD → CD	0.493	10.91	0.000	Supported
H2: PD → PS	0.124	2.055	0.040	Supported
H3: PS → CD	0.086	1.686	0.092	Not Supported
H4: PD → PS → CD	0.011	1.200	0.230	Not Supported

### Mediation Analysis

The mediation analysis as shown in Table 4 examined whether PS acts as an intermediary in the relationship between PD and CD. Across all three models (complete, foreign, and local), the mediation effects are insignificant, indicating that PS does not mediate this relationship. In the complete model, the indirect effect of PD on CD through PS is minimal and non-significant ( $\beta = 0.011, p = 0.230$ ). Similarly, for foreign businesses ( $\beta = -0.006, p = 0.541$ ) and local businesses ( $\beta = 0.019, p = 0.516$ ), the mediation effect remains negligible. These findings suggest that while PD influences CD directly in some contexts, PS does not play a significant intermediary role.

### Multigroup Analysis

The multigroup analysis displayed in Table 5 sheds light on differences between foreign and local businesses.

**Table 6:** Output from the Multigroup Analysis

Structural path	$\beta$	P - value (1-tailed)	P - value (2-tailed)
PD → CD	0.289	0.009	0.018
PD → PS	-0.265	0.92	0.161
PS → CD	-0.069	0.724	0.552

Source: Researchers' own



The results indicate a significant difference in the strength of the PD → CD path, with the effect being stronger for foreign businesses ( $\beta = 0.289$ ,  $p = 0.018$  for the two-tailed test). This highlights the heightened importance of diversification for competition among foreign businesses compared to local ones. Conversely, no significant differences are observed for the PD → PS path ( $\beta = -0.265$ ,  $p = 0.161$  for two-tailed test) or the PS → CD path ( $\beta = -0.069$ ,  $p = 0.552$  for two-tailed test), suggesting similar effects of PD on PS and of PS on the competition for both foreign and local businesses.

Overall, the results highlight the direct impact of PD on CD, particularly for foreign businesses. The mediating role of PS is negligible, and the importance of diversification for competition differs significantly between foreign and local businesses. These findings suggest the need for tailored diversification strategies based on the business context to enhance competitive positioning.

## Discussion

Businesses expand into different product categories through PD (Arte & Larimo, 2022). As informed by Etim and Daramola (2020), migrant entrepreneurs succeed by positioning their products. Differentiating their products gives migrant businesses a competitive edge and boosts business performance (Ngcai, 2018).

PD affects informal sector small businesses' performance, according to Yuan et al. (2022). PD involves businesses expanding into multiple product categories (Arte & Larimo, 2022). Product and international diversification coexist in international business, but their interaction is complex, and previous research has offered conflicting perspectives on how they affect business performance. One theory suggests that PD can boost business performance (Grillitsch et al., 2022). A dual-diversification strategy's synergy allows businesses to achieve economies of scale by using shared brand names and production facilities to serve multiple geographic areas or by launching new products to meet different customer needs (Yuan et al., 2022).

Better pricing helps informal businesses determine their profit potential (Lamb et al., 2019). Thus, entrepreneurs must consider many factors when setting prices. Entrepreneurs may use participative pricing. To survive and compete, informal sector small businesses must offer high-quality products at low prices (Mburu, 2021). Pricing is a major challenge for small business owners (Durango et al., 2022). Price affects the bottom line and can give a business a competitive edge if it is priced correctly. Thus, businesses need to have a pricing structure that applies to different products in their line (Hamilton-Ibama & Owuso, 2022).

A low entry price for a new product or brand helps it stand out in a competitive industry. The strategy can also be used to launch a new product or expand its market (Saidi et al., 2021). Informal sector small businesses must produce high-quality goods at competitive prices to survive and compete (Mburu, 2021). Prices will be one of the hardest decisions for small business owners (Durango et al., 2022). Since pricing affects the bottom line, it can give a business an edge.

Improved PS helps unregistered businesses find their profit-maximising price (Lamb et al., 2019). Thus, when setting prices, business owners must weigh many factors. An entrepreneur may use participatory pricing. This PS lets customers set prices (Rathore et al., 2022). Participative pricing systems vary by business. These include auctions, name-your-own-price, and pay-what-you-want (Wang et al., 2021).

Research (Henama & Sifolo, 2020; Ngota et al., 2019) has examined what motivates foreign entrepreneurs to start and run their businesses. Thus, foreign-owned businesses must meet certain conditions to succeed, creating competition between migrant and local business owners. Dynamic capabilities' impact on competitive advantage depends on the business environment, according to Schilke (2014). For this study, the operating and performance-improving tactics and techniques included PD and PS (Manik, 2020). The implications and results of the CD between foreign and local businesses are explained below.

## Implications And Results of CD

There are several insights into the dynamics of competition. The phrase CD has been used in different situations, ranging from studies of the rivalry among classes for existence to those that are exploring how varied enterprises battle for dominance (Bayo & Red-well, 2020). Ketchen et al. (2004) explain that CD emerged as a powerful concept in strategic management literature that is concerned with explaining and predicting competitive interactions between rivals and the impact of these interactions on business performance. It is a study of inter-business competition founded on explicit competitive moves and responses, their strategic and business contexts, and their drivers and consequences (Baum & Korn, 1996; Miller & Chen, 1994; Smith, 2001). It is a distinct competitive action that becomes the key gauge of CD as each business endorses actions to improve its competitive moves over its competitors (Marcel et al., 2010).

However, competitive response is another phase of CD; it is an action taken by a business that is designed to advance a competitive position in the marketplace, and the type of competitive action is taken based on the business's strategy (Park, 2011). According to Marcel et al. (2010), the probability of a reaction to an action is contingent on the type of action taken or tactical and the possible consequence on competitors.

Research by Lamb et al. (2019) has observed that local business owners usually use their profits for household expenses, whereas migrants do not. As a result, migrant business owners tend to flourish while locally owned businesses struggle to survive. Direct competition for resources with the host society can create tensions between migrants and their host society, which faces deprivation

issues and social inequalities (Whitaker, 2002). As a result, foreign entrepreneurs face several accusations, creating friction in some communities where migrants and locals are trading.

When immigrants move to new countries, it is seldom easy for them to gain access to the employment market, leading many to engage in entrepreneurial activities to create gainful employment for themselves. This could give rise to the phenomenon of immigrant entrepreneurship (Tengeh & Nkem, 2017). Despite being disadvantaged in terms of limited access to funding from formal financial institutions, many immigrant entrepreneurs still forge ahead to establish businesses by obtaining finance from friends, family members, and their savings (Tengeh, 2013). Examining entrepreneurship from the perspective of immigrants, Sahin et al. (2007) explain that self-employment or entrepreneurship typically entails either buying an existing business or establishing a new one. In this sense, immigrant entrepreneurship denotes entrepreneurial activities pursued by immigrants in a host country. To have their businesses survive and compete with ethnic entrepreneurs (Richtermeyer, 2002), immigrant entrepreneurs embark on CD.

CD are the exchange of initiative and responsive actions mediated by the market process (Bayo & Red-well, 2020). Businesses act creatively to enhance or improve profits and gain industry position (Chen & MacMillan, 1992). The survival and success of a business depend on the competitive moves adopted by businesses and relate to the ever-changing environment where the business operates (Eboime & Adedoyin, 2013). The profitability of businesses depends on the businesses' quick response to competitive actions and reactions to maintain and sustain a favourable market position (Calcagno, 2007).

In recent years, the study of CD has been developed as it provides a fine-grained method to comprehend what businesses do while competing with competitors, and it examines quantifiable behaviours that have been subjected to rigorous investigation and so produce cumulative conclusions (Smith, 2001). It permits multilevel research that links micro-and macro-organisational studies (Kilduff et al., 2010) and studies of competition and cooperation (Gnyawali & Madhavan, 2001). In addition, it has established connections with other fields of strategy and organisation, such as entrepreneurship (Markman & Phan, 2011).

Strong organisational trends and economic forces, such as pressures to adopt sustainable business practices (Aguilera & Jackson, 2010) have begun to expose the limitations of traditional CD, where the emphasis has largely been on rivalry, head-on competition, and attack and response among industry players (Chen & Miller, 2015).

In the foregoing, it is seen that migrant business owners thrive while locally owned businesses struggle (Lamb et al., 2019). Direct resource competition with the host society can cause tensions between migrants and a deprivation-stricken and unequal society (Whitaker, 2002).

The issue of immigration is globally contentious. On one end of the sociopolitical context, some are advocating for an anti-immigrant stance, while others are advocating for the universalisation of human rights (Mabvira, 2024). Mabvira (2024) calls on the education sector, government, and civil society to strengthen migrant integration to ensure sustainable socioeconomic and political development in Africa. Far from the triumphant narrative that dominates the literature, migrants contribute to the economic growth of the South African economy which is undergoing its challenges. Thus, in terms of developing economically, if immigrants are integrated, they could drastically improve the GDP of South Africa. Mabvira (2024) goes on to say that by not integrating immigrants, South Africa is losing out, because this is a group that is within South Africa, that can play a role in facilitating development. Most importantly, Mabvira (2024) emphasises, that it is not just development for South Africa, but development for the African continent.

## Conclusion

Research has been undertaken on the essential success criteria that drive foreign national entrepreneurs to initiate and maintain their enterprises. The successful operation of firms held by foreign nationals depends on meeting specific standards, creating rivalry between local and migrant entrepreneurs. Schilke (2014) asserts that the dynamic capabilities perspective maintains that the extent to which dynamic skills foster competitive advantage is dependent on the operational environment of organisations. The PD and PS are the operational and performance-enhancing strategies and methodologies for this investigation.

The main aim of our research was to elucidate the effects of the CD on local and international businesses in the rural areas and townships of the CHDM. This research sought to compare the impacts of different methods on local and international enterprises held by both local and foreign traders in the townships and rural regions of the CHDM to fulfil this objective. Our research is situated within a growing interest in understanding the techniques utilised by migrant and local firms to earn money, together with the implications of these strategies.

The results indicate a significant difference in the strength of the PD → CD path, with the effect being stronger for foreign businesses ( $\beta = 0.289$ ,  $p = 0.018$  for the two-tailed test). This highlights the heightened importance of diversification for competition among foreign businesses compared to local ones. Conversely, no significant differences are observed for the PD → PS path ( $\beta = -0.265$ ,  $p = 0.161$  for two-tailed test) or the PS → CD path ( $\beta = -0.069$ ,  $p = 0.552$  for two-tailed test), suggesting similar effects of PD on PS and of PS on competition for both foreign and local businesses.

The results underscore the direct influence of PD on CD, especially with overseas enterprises. The mediating impact of PS is minimal, and the significance of diversity for competition varies considerably between foreign and domestic enterprises. These findings indicate the necessity for customised diversification strategies contingent upon the business situation to improve competitive posture.

Pricing in South Africa is governed by policy regulations. Consequently, our research suggests that the findings may impact ethical considerations about the pricing strategies of both international and domestic enterprises. This constitutes our initial contribution. The findings of our study aim to foster amicable connections between international and local business proprietors in townships and rural regions. This will alleviate the existing tensions between the two groups of traders.

Ultimately, by adhering to the idea of beneficence, we will guarantee that our study is advantageous to organisations such as the Competition Commission, as well as to proprietors of both foreign and domestic enterprises situated in townships and rural regions. This is achieved through the development of suggestions derived from our research.

This study examined product development and pricing as strategies for competitive differentiation. Subsequent research may concentrate on alternative strategies, including credit control management (Malgas & Zondi, 2020), human capital, business operations (Etim & Daramola, 2020), product development (Manik, 2020), public relations (Mago, 2020), collective and bulk purchasing power, strategic competencies, social networking abilities, marketing (Ayenew, 2023), and geographical positioning (Adekola, 2021).

This was a cross-sectional study focused on local and migrant-owned enterprises in the CHDM, one of the five municipal districts in the Eastern Cape province. Subsequent research may use a longitudinal design and encompass the remaining five districts in the Eastern Cape province.

Our study employed a quantitative research methodology. Future research may adopt a qualitative or mixed-methods approach to amalgamate quantitative and qualitative methodologies into a cohesive strategy (Masha & Eze, 2022), thereby allowing researchers to develop a more comprehensive understanding of the chosen study issue by exploring it from multiple perspectives (Long et al., 2023).

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