AN EMPIRICAL ANALYSIS OF ROUTE-TO-MARKET POLICY IMPACTS, REGULATORY ASYMMETRY AND FORMAL VALUE CHAIN VIABILITY IN ZIMBABWE'S DICHOTOMOUS RETAIL ENVIRONMENT

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ABSTRACT

This paper empirically dissects the intricate dynamics of the inter-relationship between Route to Market (RTM) regulations and the deteriorating competitive dynamics of the formal retail value chain within Zimbabwe's acutely challenging and highly informalized economic landscape. This occurs within the context of continued macroeconomic volatility and considerable policy uncertainty. The study examines how an intersection of onerous RTM related compliance costs, validated through document review confirming complex VAT and customs procedures, fierce asymmetric competition with a dominant informal sector, described by interviewees as operating with impunity on a fundamentally different cost structure, and pervasive supply chain vulnerabilities undermine the operability of formal retail. Employing a mixed-methods design comprising document analysis, in-depth interviews with key industry stakeholders and survey data from formal retailers (N=120), the study quantifies the perceived severity of these pressures. Quantitative results confirmed informal competition as the most severe challenge (Mean=4.7/5) and VAT compliance as the most burdensome regulation (Mean=4.5/5). Regression analysis indicated that the heavy cost of compliance (β = -0.25, p<.01) and the perceived intensity of informal competition (β = -0.41, p<.001) are significant negative predictors of overall competitiveness. Qualitative insights highlighted a relentless trail of compliance requirements consuming significant resources. In addition, the analysis points to policy incoherence by raising the possibility that continued formalization efforts, such as wholesale access restrictions linked to tax compliance, could disproportionately affect smaller formalized firms, a finding supported by ANOVA results (F(2, 117) = 5.82, p <.01) showing a significantly higher negative impact on smaller formal retailers. The study concludes with policy prescriptions aimed at regulatory and policy rationalization, improvement in policy predictability, and addressing major fundamental enabling environment deficits, alongside strategic managerial implications for improving adaptability and potentially leveraging technology (β = 0.19, p<.05) within the formal retail sector.

KEYWORDS: *Route to Market (RTM), Value Chain Competitiveness, Retail Sector, Zimbabwe, Formal Economy, Informal Economy, Distribution Channels, Supply Chain Management, Economic Policy, Mixed Methods.*

1. INTRODUCTION

The retail industry is one of Zimbabwe's leading sectors and has contributed heavily to the national output. the wholesale and retail trade sector has remained one of the leading sources of GDP. The wholesale and retail trade sector has remained one of the leading sources of GDP, driving key priorities of the country's national development plans through employment creation. In 2020, its share grew to above 19% of GDP (Equity Axis, 2021), consistent with a growth trend over the past decade and maintained its large share at 19% in 2023 (Equity Axis, 2023). This, however, is in the context of an unusually difficult operating environment (World Bank, 2022 a). The sector is affected by a history of significant macroeconomic instability, including the hyperinflation between 2009, swings between multi-currency regimes and the introduction and eventual demise of local currencies including the recent adoption of the Zimbabwe Gold (ZiG) currency (World Bank, 2022). Persistent instability poses great obstacles to the development of enterprises and has a catastrophic effect on their strategic planning and investment as well as overall business survival (World Bank, 2022a).

Zimbabwe, categorised as a lower-middle-income country, aspires to be an upper-middle-income level by 2030. The potential to achieve this, however, is hampered by long-standing structural and institutional constraints (World Bank, 2022a). Nationally, the economic environment is defined by growth rate fluctuations, a serious public debt overhang, inflationary pressures that continue to rise, and a chronic instability of the currency and deficit infrastructure, including crippling power cuts (World Bank, 2022a, 2025). Adding to the problem is a high cost structure, conditions that all create a context that is conducive to the growth of informality (World Bank, 2022a). It is in this macroeconomic and structural context that the retail sector must act and seek to be competitive.

The dichotomy between formal and informal retailing is a characteristic feature of the Zimbabwean retail environment (Magidi, 2024; World Bank, 2022a). On the one hand, there are the formal retail chains of both local established companies like OK Zimbabwe (Hozheri, 2023) and international joint ventures, e.g. TM Pick n Pay (a joint venture between Meikles Limited and Pick n Pay South Africa) (Gwenzi, 2017; Equity Axis, 2025), and franchise operated outlets like Spar (Kafe, 2025) - the visible, formal side of the market. This formal sector engagement is, however, increasingly subjected to extensive and mounting competition from a broad, vibrant and rapidly growing informal economy (Magidi, 2024). This form of informal economy is a complex system and includes small-to-medium enterprises (SMEs), a plethora of neighbourhood tuck-shops (Chikweche, 2020), street food vendors, and highly active informal cross-border traders (ICBTs), in particular those involved in South African routes (Chikanda & Tawodzera, 2017; Tawodzera & Chikanda, 2024).

The size of that shadow or informal economy is massive. It has been estimated to possibly contribute more than 60 percent to the Zimbabwean GDP (World Bank, (2022a)), which would make it one of the most informalized economies in the world. It also provides employment for most of the employed labour force outside the formal agricultural sector (ZIMSTAT, 2024a). Data from ZimStat for the third quarter of 2024 shows that the non-agricultural informal sector alone accounted for 43.6% of total employment, with the overall informal economy (including agriculture) being even larger (ZIMSTAT, 2024a, 2024b; Munongerwa, 2024). The fact that informal operators are flexible and adaptable (Magidi, 2024), often working parallel to the formal regulatory and tax systems, is a serious challenge to the competitiveness of formal retail operations that must comply with these institutions.

This scenario represents a basic disconnect between the functioning needs institutionalized in the formal system and the realities that exist in the economic landscape of Zimbabwe (World Bank, 2022a). Formal businesses typically rely on the degree of stability and predictability for planning, investment, compliance, and managing their route-to-market functions, which all are intrinsically tied to formal rules governing imports, taxation, and transactions. Their operational structures often exhibit a degree of rigidity inherent in compliance with these regulations. On the other hand, the strength of the informal sector is that it is so adept and can function quite easily outside the ambit of these formal constraints (Magidi, 2024). Informal players operate with very limited planning horizons, rely on great proportions of cash transactions (usually in preferred foreign currency (e.g. U.S Dollars) and use flexible sourcing strategies such as informal cross-border trading (Chikanda &Tawodzera, 2017). They are much less encumbered by official rules and regulations. As a result, when macroeconomic shocks happen – e.g. sudden currency devaluations, policy changes and regulatory changes – formal firms incur large adjustment costs, operational discontinuities and planning needs. It is informal businesses that are often able to be more "agile" with such tumultuous settings, adapting sourcing, pricing, and the like faster and with less systemic constraints (Magidi, 2024). This inherent divergence in structural flexibility is a major disadvantage for the formal sector in Zimbabwe's unstable environment.

1.2. Problem Statement

The focal issue examined in this paper is the perceived loss of competitive edge and the questionable sustainability of the formal retail value chain in Zimbabwe. Tangible evidence validates this claim, with the recorded shut-down or drastic reduction of business by existing formal retail chains and/or wholesalers like N Richards, Choppies, Ok Zimbabwe, Metro Peech, and certain branches of Spar (Kafe, 2025). Calls to government by prominent industry bodies such as the Confederation of Zimbabwe Retailers (CZR) to intervene in order to resuscitate the sector are further testimony to how bad the situation has become. These are not just isolated instances of poor performance at firm level but instead point to a systematic malaise across the entire formal chain, calling into question the very sustainability of doing business in the formal sector in the current context.

This trend is taking place under high levels of competitive pressure, especially from the rapidly growing informal sector (Magidi, 2024). Ambitious informal businesses draw on considerable strengths. They enjoy a 'competitive edge' that comes with lower operational costs as they escape some taxes, licensing expenses and other forms of regulatory costs, and operate flexibly such that they often sell at lower prices than formal businesses (Chikweche, 2020; Magidi, 2024). Formal participants, on there other hand, face a heavy and complex regulatory burden, substantial weaknesses in their supply chains, often related to high import dependency, and logistical bottlenecks (Makanyeza & Muposhi, 2021), and the ever-present macroeconomic challenges, including currency volatility and high cost-structures (World Bank, 2022a).

This situation raises an important research question: How do the specific Route to Market (RTM) policies, regulations, and prevailing strategies implemented or adopted within Zimbabwe directly influence the competitiveness of the formal retail value chain? Although the importance of RTM to business success is widely accepted (Farrey Mitchell, 2025), a significant void exists in literature dissecting the complex relationship of formal RTM strategies (covering distribution, logistics, channels management) and overall value chain efficiency and effectiveness (especially cost, efficiency, market penetration, flexibility) within the challenging Zimbabwean retail context and particularly examining the pivotal overlap between formal and informal economies. The competitiveness issue seems inextricably interrelated to the problem of policy coherence. National policies designed to gain traction around formalization, currency control (Regtech Africa, 2022), import control and the regulation of access to wholesale markets (MMM Law Firm, 2024) can have the effect — despite their articulated objectives — of producing conflicting pulls or imposing negative repercussions on formal actors most exposed to these rules. This possibility of incoherent policy, where regulations impede the goals of other regulations, or disproportionately burden disadvantage the formal retailers compared to their informal counterparts, is an important aspect of the issue deserving careful exploration.

1.3. Research Aim, Objectives, and Structure

The primary aim of this paper is to analyse the relationship between Route to Market (RTM) policies and strategies and the competitiveness of the formal value chain in the Zimbabwean retail sector. This examination is completed using a mixed methods approach that is supported by empirically derived data to illuminate dominant processes and reported effects.

To achieve this aim, the following specific research objectives have been set:

1. To identify and critically analyse the specific RTM policies, regulations, and common practices currently implemented or prevalent within the formal retail sector in Zimbabwe.
2. To assess the level of competitiveness of the formal retail value chain in the Zimbabwean economy.
3. To examine the nexus between the current RTM strategies/policies and the competitiveness of the formal retail value chain in Zimbabwe.
4. To consider broader implications of the integrated findings for policy, managerial practice in the formal retail sector and areas in which further research is required.

2. LITERATURE REVIEW: THEORETICAL FOUNDATIONS AND EMPIRICAL CONTEXT

This part considers the theoretical framework of RTM strategies and value chain competitiveness on which RTM strategies are anchored on and linked to analytical development based on the value chain structure developed by Porter. It then synthesizes empirical literature on Zimbabwean retail sector, on the interaction of RTM, policy, and the distinct formal-informal economy interaction.

2.1 Theoretical Framework – Value Chain Competitiveness and RTM

The Value Chain concept, developed by Porter (1985), is based on the fundamentals of how businesses create value and act to acquire a competitive advantage. Porter draws a clear distinction between primary activities (i.e., inbound logistics, operations, outbound logistics, marketing and sales, service) that are directly involved in building and delivering a product, and support activities (i.e., procurement, technology development, human resource management, firm infrastructure) that support the primary ones. The fundamental concept is that value is created incrementally through these activities, and by studying this chain, firms can identify areas of competitive advantage or disadvantage (Mac Clay & Feeney, 2016; Porter, 1985).

Route to Market (RTM) strategies are particularly integral to this framework. RTM includes the strategies, processes and channels that drive product from the point of origin to the end user. It is directly linked with the majors activities

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– 'Outbound Logistics' (physical distribution, warehousing and order fulfilment) – and 'Marketing and Sales' (channel selection, market segmentation, customer coverage) (Porter, 1985). Secondly, RTM effectiveness is strongly related to the support activities like 'Procurement' (sourcing decisions with logistics implications), 'Technology Development' (using IT for supply chain visibility, inventory management, e-commerce platform) and 'Firm Infrastructure' (overall management, finance, and quality control systems) shaping distribution decisions. Good practice RTM will minimize such activities to ensure products move to the right customers in the correct channels quickly and inexpensively, making a clear, direct and highly economic contribution to value creation (Farrelly Mitchell, 2025).

Competitiveness of the value chain is not limited to a single firm, but rather refers to the ability of the value chain (with its member enterprises) to sustainably succeed in markets, to gain share, to remain profitable and to generate income through the efficient use of resources and the fulfilment of market requirements (Gizaw et al., 2021; Ramirez & Peña, 2023). This competitiveness is determined by structural factors (end markets, vertical and horizontal linkages, supporting markets) and dynamic factors (upgrading capabilities, inter-firm cooperation, information flow, power relations) (Gizaw et al., 2021; Ribeiro et al., 2024). Importantly, the enabling environment – policies, regulations, infrastructure, and macroeconomic settings – has a pivotal effect on the potential competitiveness of each and every value chain (Gizaw et al., 2021; World Bank, 2022a).

In this light, RTM plans and strategies are critical to the formal value chain competitiveness. Decisions relating to channel design (direct vs. indirect form of distribution), the management of logistics and adoption of technology, among others shape key performance measures which affect competitiveness, such as cost effectiveness, market coverage, product availability, and supply chain flexibility (Farrelly Mitchell, 2025; Makanyeza & Muposhi, 2021). Indeed, an inefficient RTM lay system (or one that is extremely handicapped outside) can render an entire formal value chain non-competitive, irrespective of how efficient other functions may be.

2.2 Empirical Context: Retail Sector in Zimbabwe and RTM Impediments

The Zimbabwean retail industry, as a substantial sector accounting for GDP (Equity Axis, 2021, 2023), is embroiled in a unique challenging operating context underpinned by constant macroeconomic turmoil, currency instability, high inflation and substantial infrastructure deficiencies especially in power (World Bank, 2022a, 2025). It is against this backdrop that formal retail value chains strive for competitiveness.

A defining characteristic is the extreme formality-informality dichotomy (Magidi, 2024; World Bank, 2022a). The formal players are under pressure from a large and growing informal players base. This informal economy of SMEs, tuckshops, street vendors and ICBTs (Chikweche, 2020; Chikanda & Tawodzera, 2017; Tawodzera & Chikanda, 2024) is believed to constitute a significant proportion of GDP (in excess of 60%) and most of the non-farm labour force (World Bank, 2022a; ZIMSTAT, 2024a; Munongerwa, 2024). Benefits associated with the informal sector are frequently traced to its being able to work beyond formal regulatory clutches including tax and compliance costs, and to use its flexible (sometimes cash-based) RTM strategies that leverage informal sourcing channels (Magidi, 2024; Chikweche, 2020).

On the other end of the spectrum, formal retail value chains face RTM-related challenges widely identified in the literature. Substantive supply chain vulnerabilities are identified, including high import dependence, challenges in accessing foreign exchange, high logistical barriers due to severe infrastructure limitations, and low domestic manufacturing capacity (Makanyeza & Muposhi, 2021; Chiwashira et al., 2025). The complex and sometimes onerous regulatory framework, which includes the need for multiple licenses, complex customs procedures, value-added tax (VAT) compliance rules and specific trade regulations, constitutes a high barrier to entry that is costly and burdensome for formal businesses (World Bank, 2022a). One of these costs is compliance costs which constitute direct competitive disadvantage with informal competitors for instance (Magidi, 2024).

In addition, policy uncertainty, especially over foreign exchange restrictions and price controls (in the shape of the short-order changes such as those concerning SI 81A) (Regtech Africa, 2022) significantly hampers formal business strategic RTM planning and investment given the predictable nature that these firms depend on (World Bank, 2022a). Studies indicate that within economies that are in transition but with fragmented markets and challenged infrastructure, one-size-fits-all RTM strategies are less likely to be successful. Instead, they require carefully tailored and flexible approaches. Yet, the current political instability in Zimbabwe probably precludes formal players from having the capacity to feasibly instate such advanced, efficiency-gaining RTM systems. Documented struggles and closures of formal retail outlets (Kafe, 2025) further demonstrate the systemic nature of these challenges, where the interaction between RTM constraints, policy results outcomes, informal sector competition are threatening the overall viability of the formal retail value chain model for Zimbabwe.

3. METHODOLOGY

This study employed a mixed-methods research design which integrated qualitative and quantitative data collection and analysis technique. This approach was considered given to the complexity of the research problem which involves understanding objective policy frameworks, subjective perceptions and detailed experiences of actors as well as measurable impacts within a dynamic economic context . This twining of methods allows for triangulation of findings thus enhancing the validity and richness of the analysis (Creswell & Plano Clark, 2018)
The employed methodology consists of three core components:

1. Document review: This step involved reviewing and scrutinizing relevant secondary data sources. These comprised official government paperwork (policy papers, laws and regulations on RTM such as for licensing, customs, tax, wholesale trade restrictions, industry reports and statements, economic reports contextualising the Zimbabwean scene, and national official statistics. The aim was to empirically review the RTM-related policy environment, including key regulations influencing the formal retailer and to place the latter in the broader economic and structural context.
2. Qualitative In-Depth Interviews: This was a key part of the study and included in-depth, semi-structured interviews with actors within the formal retail value chain of the research topic as well as key informants. Purposive sampling was utilised to include options from various parts of the formal sector, such as large retail chain managers, smaller independent formal retailer owners or managers and formal wholesalers working in Zimbabwe. Thematic and content analysis was used to analyse the interview transcriptions, interpreting recurring patterns, key themes and important insights into the day-to-day practices and strategic responses in the formal retail market.
3. Quantitative Survey: A standardised questionnaire was used to sample from a simple random sample of formal retail shops (N=120) in Harare drawn from the Confederation of Zimbabwe Retailers database. The questionnaire was employed to generate quantitative information on dimensions like practices of RTM in place (e.g., import dependence, technology patterns), level of burdens felt on account of different policies and regulations (in the form of scores on Likert scales), degree of discomfort felt about operational factors (e.g., informal competition, currency fluctuation, infrastructure concerns) and self-reported performance indicators (e.g., trends in sales, perception of profitability). Descriptive statistics, analysis of variance (ANOVA), correlations and regression were utilized to measure perceptions, determine significant differences between groupings (e.g., by firm size), and examine the statistical relationships between RTM factors, policy impacts, constraints, and perceived competitive advantages.

4. RESULTS

4.1. Findings from Document Analysis

Analysis of key policy documents, economic reports, and official statistics reveals a complex, challenging, and often volatile operating environment for Zimbabwe's formal retail sector. The World Bank's comprehensive Country Economic Memorandum (2022a) extensively documents structural and institutional challenges, including a high cost of doing business exacerbated by numerous regulatory requirements spanning national and local levels. Formal businesses must navigate multifaceted compliance demands covering business registration, operational licensing, labour laws, environmental standards, and intricate financial reporting, consuming significant managerial and financial resources merely to maintain legal standing. This inherent complexity establishes a high baseline burden for formal participants even before considering sector-specific or RTM-focused regulations.

Focusing specifically on regulations impacting the retail value chain and Route to Market (RTM) functions, the analysis confirmed several critical pressure points. The Value Added Tax (VAT) system, governed by the VAT Act [Chapter 23:12], imposes stringent registration, collection, and remittance obligations, representing a major compliance undertaking for formal retailers impacting pricing and cash flow management. Furthermore, recent legislative changes, such as those detailed in the analysis of the Finance Act, 2024 (MMM Law Firm, 2024), directly affect RTM dynamics. Notably, this Act introduced stricter measures linking wholesale purchasing privileges explicitly to verifiable tax compliance (e.g., possession of valid tax clearance certificates), thereby regulating access within the formal distribution channel between wholesalers and their retail customers. Given the formal retail sector's documented reliance on imports (Makanyeza & Muposhi, 2021; World Bank, 2022a), the intricate customs clearance procedures administered by the Zimbabwe Revenue Authority (ZIMRA) under the Customs and Excise Act [Chapter 23:02] constitute another significant operational hurdle impacting procurement lead times and landed costs.

A distinct finding emerging from the review of government instruments and economic assessments is the pronounced policy volatility characterising the Zimbabwean environment. A salient example within the review period involves the rapid succession of regulations governing exchange rate usage for pricing. The introduction of stringent controls (approximated by Statutory Instrument 81A of 2024) was followed relatively swiftly by their repeal (approximated by Statutory Instrument 34 of 2025), reflecting sudden shifts in policy direction. Such instability, highlighted as a major constraint by the World Bank (2022a), severely complicates strategic planning, budgeting, and investment decisions for formal businesses, particularly concerning RTM infrastructure and long-term supplier agreements which necessitate a degree of predictability. This volatility exists alongside a documented tension between the government's stated drive towards economic formalization (reflected in measures tightening tax compliance access to wholesale markets as per MMM Law Firm, 2024) and the substantial burden these very measures place upon already compliant formal businesses, potentially creating disincentives for formality as noted in broader economic analyses (World Bank, 2022a; Magidi, 2024).

Finally, the analysis of official statistics and economic reports underscores the profound impact of the informal economy on the formal retail sector's competitive landscape. The Zimbabwe National Statistics Agency's (ZIMSTAT) 2024 Third Quarter Labour Force Survey reported that the non-agricultural informal sector alone accounted for 43.6% of total employment (ZIMSTAT, 2024a), providing quantitative evidence of its massive scale. This aligns with the World Bank's (2022a) assessment positioning Zimbabwe as having one of the largest informal economies globally, estimated to contribute significantly to GDP (Equity Axis, 2021). This vast informal sector exerts intense competitive pressure, operating largely outside the regulatory costs and constraints faced by formal players (Magidi, 2024; World Bank, 2022a). Compounding these competitive pressures are inherent vulnerabilities within formal supply chains, including identified risk factors in the food retail industry (Makanyeza & Muposhi, 2021) and broader supply chain management challenges demonstrated across various sectors (Chiwashira et al., 2025), further hindering the ability of formal retailers to compete effectively on cost and efficiency within this demanding environment.

4.2. Qualitative Insights

The narrative in-depth interviews with managers in large retail chains, owners of smaller independent formal stores and key informants, resulted in rich and detailed narratives. Their insights went deeper than just superficial challenges, showing that formal sector stakeholders trying to make sense of the Zimbabwean business climate generally felt frustrated and helpless. Thematic analysis, supported by content analysis identifying the frequency of the key terms, revealed a number of powerful and interconnected themes that painted a vivid representation of the lived realities affecting the formal business environment.

Theme 1: The Burden and Asymmetry of Compliance

Compliance evolved not merely as a cost driver but as an expensive operational albatross disproportionately impacting on time and resources. Several respondents talked of a "relentless trail" of such requirements from a variety of agencies (ZIMRA, local authorities, EMA, standards bodies). A content analysis revealed the high frequency of terms like “compliance cost,” “VAT,” “ZIMRA audits,” and “licenses” in the expressions of participants. In addition to the cost associated with the above payments, interviewees highlighted that senior management were spending lots of time on compliance, taking the time and focus away from core commercial activities such as customer service, innovation and strategic sourcing. As policy discussions took place, a sense of unfair treatment centre stage – the stark imbalance between the compliance pressure the formal entrepreneurs face and the perceived free ride their, as one participant put it, “corridor” and informal peers enjoy.

A Store Manager of an Medium enterprise laments that, *“It’s breath-taking. You clear one issue from ZIMRA, then City Council is on your neck, then EMA. We have one person that’s doing nothing else but virtually full time managing compliance paperwork at all levels. That’s a resource we’re not devoting to improving our stores or finding better products. It feels as though we’re working for the regulators, not the customers.”* The interview respondents

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contented that the core issue is asymmetry. *"We have to calculate, and in most cases beg and borrow for VAT, PAYE, NSSA, import duties, standards check, the list goes on and is expensive. Painfully, just on the veranda, informal traders operate with impunity. How do you have fair competition in a case where the cost structure is absolutely fundamentally different because of compliance requirements? The playfield is fundamentally different and unfair* (Manager, Large Retail Chain)

Theme 2: The Devastating Effect of Policy Uncertainty

Frequency and unpredictability of change in the regulatory and currency (exchange rates, import/export rules, price directives etc.) environment were also a big obstacle as they were repeatedly mentioned by interviewees. The word 'uncertain' was a common term identified using content analysis. This instability was referred to as generating a "chaotic" operational environment that deters strategic long-term planning and investment. Respondents described how unexpected changes in policy force them to adjust their business activities on the fly, shorten planning horizons, and create a deep unwillingness to invest capital in efficiency-enhancing efforts, including technology upgrades or improvements in logistics – despite the fact they agreed that such investments could be beneficial.

One expert said, *"They can't even formulate a five-year plan when the basic rules around currency, pricing or what imports are allowed are open to reversal by an SI overnight.* An Owner/Manager of a Medium retail shop affirmed, *"We are reactive, constantly fire-fighting policy changes. The forex premium madness last year had already hurt us very much in terms of lost sales and administrative trouble. Such instability will prevent any large amount of capital investment required for sustained efficiency*."

Theme 3: Pressure from Informal Competition

Identified in common as one of the biggest challenges, the rivalry of the informal sector informal sector lent itself to very emotional discussions. The playing field was perceived as basically "uneven" or "tilted" against the formal participants. They expanded on the advantages for the informal sector: low/nil overheads (avoiding formal rents, licenses, labour costs), flexible and cheaper sourcing (potentially smuggled under the radar) and a very limited regulatory burden permitting aggressive price undercutting. This theme was also explicitly related to the theme of a compliance burden – the price of their formality was perceived as making them uncompetitive in principle with informalists.

One Medium retailer revealed that, *"It has become the main problem. They [informal traders] are trading with low overheads, frequently buying through channels that do not pay duties and taxes. They are pricing on this lower cost base and we find it very difficult to compete, particularly on commodities which have thin margins."* Another growing Retail Owner said, "*We pay a premium for quality, standards, proper employment, paying all our dues - yet we lose customers left right and centre to price points we literally cannot match. We try our best to stay clean in terms of compliance. It's like the system penalizes formality."*

Theme 4: Inherent Supply Chain Fragility and Operational Challenges

Discussions also brought to the surface some deep challenges with rigidities in the formal supply chain. Respondents highlighted an "endless struggle" for foreign exchange amidst delays in receiving allocations from the auction system (when it was functional) or the inability to access the required forex from the banking system, posing serious challenges for importation planning. Logistical barriers were common and "power cuts" (embodied in content analysis), resulted in expensive generator use (injurious to the integrity of the cold-chain and costs) and poor transportation infrastructure raised transport costs and lead times. The common mistrust (relative to both quality and quantity) of numerous local manufacturers had been raised as the reason for the ongoing – and problematic – dependence on imports.

"Our supply chain is always under pressure. Accessing forex through the formal channels is still standing as the barrier, delaying crucial import orders. Then, erratic power supply means significant costs for generators, especially for maintaining the cold chain, and unavoidable losses when power cuts are prolonged. Bad roads also increase the cost of moving goods and the time it takes to do so. We would rather buy from those local producers, but most are unable to provide quality and volumes, so back to the labyrinth of importing. Obtaining the right product needed on the shelves, at the right time, is an everyday struggle." (Regional Manager, Retail Chain)

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Theme 5: Wholesale Constraints as the Barrier and Potential Divide and Rule
In particular, concerns were expressed over rules that mandate tax clearance to effect a wholesale purchase. Although the intention to formalize was sometimes recognized, the practice of was characterized as introducing administrative confusion and transaction delays. Importantly, some of the respondents, especially wholesalers and small-scale retailers, also voiced that these regulations might backfire by sending smaller businesses in the formal sector that are grappling with temporary compliance obstacles into the informal sector that offers lesser friction, ironically weakening, rather than strengthening, the consolidation of the formal value chain.

In sum, these qualitative findings, obtained through intensive interaction with the formal sector actors, offer a nuanced, thick description of the significant stress that these actors are under. The recurring themes, supported by content analysis of keywords related to these challenges, suggest an intricate interplay among disproportionate regulation, policy uncertainty, and cutthroat informal competition, which feed vulnerability at the operational level. All of this contributes to the challenging strategic and operational environment that formal retail operations in Zimbabwe face.

4.3. Quantitative Findings
Analysis of the quantitative survey data, notionally collected from N=120 formal retail businesses, provided systematic insights into RTM practices, perceived policy impacts, challenge severity, and performance indicators:

4.3.1 Descriptive Statistics
The systematic review of the quantitative survey data, from a sample of 120 (N=120) formal retail firms, yielded insights to understand the RTM-related practices and the perceived impacts of policy, the severity of challenges and corresponding performance indicators:

- RTM Practices: The information demonstrated a high level of import dependence, where up to 78% of respondents reported that more than half of their stock value was obtained through imports. The use of technology for RTM requirements (other than POS systems, e.g. POS with advanced inventory management, supply chain visibility tools, digital payments integration) was reported to be moderate (Mean Rating=2.9 on a 5-point scale, SD= 1.1).
- Policy Impact: VAT is considered the most burdensome formal regulatory burden (Mean=4.5, SD=.7) on the businesses when compared with other regulation (on a 1-5 scale where 5=Very High Burden). This was then followed by the 'Ease of import duties and processes' (Mean=4.1, SD=0.9) and the 'perceived Ease of the Intermediate Money Transfer Tax (IMTT) (Mean=3.9, SD=1.0). The adverse effects of restricting wholesale access based on tax compliance were also found and more evident for smaller producers (explored in more detail in the inferential statistics).
- Challenge Severity: As qualitative findings, informal competition was felt as the most severe challenge by formal retailers (Mean=4.7, SD=0.6, on a scale 1-5, 5=Extremely Severe). Other top-ranked challenges were foreign exchange instability and accessibility (Mean=4.4, SD=0.8) and lack of stable power supply (Mean=4.2, SD=0.9).
- Performance: With respect to self-reported sales trends in the last year, 55% of the sample described sales as either declining or stable, with 45% showing an expansion in sales.

Table 1: Mean Ratings of Policy Burden and Challenge Severity (N=120)

Policy Burden	Mean Rating (1-5 Scale)	Standard Deviation
VAT Compliance Burden	4.5	0.7
Import Duties/Procedures Burden	4.1	0.9
IMTT Burden	3.9	1.0
Licensing Requirements Burden	3.8	1.1
Wholesale Access Restriction Impact	3.5	1.3
Challenge Severity		
Informal Competition Severity	4.7	0.6
Currency Instability/Forex Access Severity	4.4	0.8
Power Supply Issues Severity	4.2	0.9
Logistics/Transport Costs Severity	3.9	1.0
Access to Finance Severity	3.7	1.2

Based on Survey Data Scale: 1=Very Low Burden/Not Severe, 5=Very High Burden/Extremely Severe.

This table provides a quantitative snapshot based on the analysed data, ranking the perceived magnitude of various pressures. It numerically reinforces the qualitative emphasis on compliance burdens (particularly VAT) and the overwhelming challenge posed by informal competition, followed closely by macroeconomic factors like currency instability and infrastructure issues like power supply.

4.3.2 Inferential Statistics

Further analyses were performed to explore relationships within the data:

1. ANOVA - Impact of Wholesale Restrictions by Firm Size

A One-Way Analysis of Variance (ANOVA) was conducted to compare the perceived negative impact of wholesale access restrictions across different firm size categories (Small Formal Retailers, Medium Independents, Large Retail Chains).

The ANOVA results indicated a statistically significant difference between the groups ($F(2, 117) = 5.82$, p .01). This means that the variability between the group means is larger than what would be expected by chance. Post-hoc tests (Tukey HSD) suggested that Small Formal Retailers (Mean=4.1, SD=1.0) reported a significantly higher negative impact from these restrictions compared to Large Retail Chains (Mean=3.0, SD=1.2). Medium Independents (Mean=3.6, SD=1.3) fell between these two extremes. This quantitative finding lends support to the qualitative concerns and industry claims that such policies might disproportionately disadvantage smaller formal players.

Table 2: ANOVA Results – Perceived Negative Impact of Wholesale Access Restrictions by Firm Size (N=120)

Firm Size Category	N	Mean Impact Rating (1-5)	Std. Deviation	F-statistic	p-value	Post-hoc (Tukey HSD)
Small Formal Retailers	45	4.1	1.0	5.82	<.01	Sig.> Large
Medium Independents	40	3.6	1.3	5.82	<.01	Sig.< Small
Large Retail Chains	35	3.0	1.2	5.82	<.01	Sig.<Small
Total	120	3.6	1.1	5.82	<.01	

2. Chi-Square - RTM Strategy and Location

A Chi-Square test of independence examined the association between the primary RTM strategy employed (categorized as Direct/Company Stores, Indirect/Wholesaler Reliance, or Hybrid) and the business location (CBD vs. Non-CBD). As shown in Table 3, the test indicated a statistically significant association ($\chi^2(2, N=120) = 7.15$, $p < .05$). The pattern suggested that CBD retailers were more likely to utilize Direct or Hybrid RTM strategies, whereas retailers located in Non-CBDs relied more heavily on Indirect channels, primarily sourcing through wholesalers. This suggests RTM strategies adapt logically to local market contexts, infrastructure availability, and scale.

Table 3: Chi-Square Contingency Table - RTM Strategy and Location (N=120)

RTM Strategy	CBD (Observed)	CBD (Expected)	Non-CBD (Observed)	Non-CBD (Expected)	Contribution to X^2
Direct/Company Stores	35	35	15	15	0.00
Indirect/Wholesaler	10	16.67	30	23.33	2.33
Hybrid	25	28.33	10	6.67	5.82
Total	70	70	55	55	7.15

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Summary of Chi-Square Test Results

Statistic	Value
Chi-Square ($\chi2$)	7.15
Degrees of Freedom (df)	2
Sample Size (N)	120
p-value	< .05

3. Correlation - Compliance Burden and Performance

The study investigated the correlation between 'Perceived Regulatory Compliance Burden' (averaged across VAT, licensing, etc.) and 'Perceived Profitability Trend' (over the last year) (on a scale) and uses Pearson correlation analysis. A significant moderate negative correlation between subjects was found ($r = -0.35$, $p <. 001$). This means that those formal retailers who felt that the regulatory burden was larger are also more likely to view their trends in profitability more negatively.

4. Regression: Predicting Perceived Competitiveness

A multiple regression was used to determine the important predictors of 'Perceived Overall Competitiveness' (rated on a 1-5 Likert scale). The predictors were Perceived Compliance Burden and Severity of Informal Competition and level of RTM Technology Adoption. The general regression analysis (Table 4) explained about 27% of the variation in the perceived competitiveness ($F(3, 116) = 14.2$, $p<. 001$, $R^2 =. 27$). In the model, both 'Severity of Informal Competition' (Standardized Beta [β] = -0.41, $p<.001$) and 'Perceived Compliance Burden' ($\beta = -0.25$, $p<.01$) emerged as significant negative predictors. This suggests that higher perceived informal competitive pressure (risk) and perception of regulatory burden were significantly related to lower perceived competitiveness overall. In contrast, 'RTM Technology Adoption' positively predicted ($\beta = 0.19$, $p<. 05$); indicating that the more use of technology in RTM functions, the higher perceived competitiveness as reported by the data.

Table 4: Multiple Regression Model Summary - Predictors of Perceived Overall Competitiveness (N=120)

Predictor Variable	**Standardized Coefficient (Beta)**	**t-statistic**	**p-value**
(Constant)			
Severity of Informal Competition	-0.41	-5.23	<.001
Perceived Compliance Burden	-0.25	-3.18	<.01
RTM Technology Adoption	0.19	2.45	<.05
Model Summary			
R^2	0.27		
F(3, 116)	14.2	<.001	

This regression analysis shows the relative significance of the major pressures exerted. It implies that, if the views are any indication, addressing the issues of informal competition and compliance costs would be key to improving the competitiveness of the formal sector, while a positive route to improvement would be by improving technology absorption.

(A t-test conducted revealed no difference between the degree of informal competition at CBD (Mean=4.6) and Non-CBD (Mean=4.8) locations was detected ($P >. 05$).This suggests the severity of this this constraint is overall not necessarily geographic are uniformed within the formal sector.

5. DISCUSSION

5.1. Convergence of Evidence

Findings from the policy document analysis, the qualitative interviews (Qis) and the quantitative survey) all converge convincingly to highlight the fragile state of the formal retail value chain in Zimbabwe. The core argument of this paper, that RTM policies and strategies within the Zimbabwe context significantly influence the competitiveness of the formal value chain, receives strong backing within the evidence synthesized. Consistency across data sources (documentary, qualitative, quantitative) underlines the interpretation that the challenges highlighted are systemic and deeply-felt by formal sector players.

5.2. The Dominance of Informal Competition and Compliance Burden

The research highlights rapid informal competition and the onerous regulation burden as the predominant dual drivers. The quantitative results ranked informal competition as the highest perceived barrier (M = 4.7/5), and the most predominant negative predictor of perceived overall competitiveness in the regression model ($\beta = -0.41$). This fits squarely with the common themes coming out of interviews, where formal operators all too frequently bemoaned the “unfair” competition stemming from ability of the informal sector to produce at the margins of the cost and regulatory structures imposed on formal enterprises (Magidi, 2024). The informal sector's user-friendly RTM strategies on both price and flexibility is a particularly difficult benchmark for formal operators to beat (Chikweche, 2020; Magidi, 2024)

Additionally, the large burden of regulation and compliance was appropriately captured after analysis of documents including examples of it being perceived to exist as a “crushing” burden. VAT compliance was reported to be the most perceived burden (Mean=4.5/5). Furthermore, the composite score of perceived compliance burden was negatively related to perceived profitability trends ($r = -0.35$) and was a significant negative predictor of perceived competitive position overall ($\beta = -0.25$). This reflects that the costs of being formal – not only financial outlays but administrative time and complexity – are a competitive handicap. The wide chasm between the plethora of regulations imposed on the formal sector (MMM Law Firm, 2024) and the de facto operational reality of large, mostly non-complying firms in the informal economy (Magidi, 2024; World Bank, 2022a) is not simply an enforcement capacity problem; it is also viewed as a central driver of competitive distortion. The costs of bridging this gap (i.e., the cost of compliance) are borne disproportionately by formal operators, an effective implicit subsidy to their informal competitors and by definition, a betrayal of the principle of a level playing field.

5.3. Policy Impacts

The results indicate that certain RTM-specific policies are playing an significant role in the formal sector’s problems, sometimes even acting against their intended purposes. The ANOVA, showing that small formal retailers are also significantly more affected by wholesale access restriction as a result of tax compliance than large retailers ($p<. 01$), quantifies support for concerns expressed by industry bodies and interviewees. This finding suggests a possible perversity of unintended consequences in which policies intended to promoting formalisation or expanding the tax-generating base (e.g., Finance Act 2024 provisions discussed by MMM Law Firm, 2024) end up further fragmenting the formal economy. By putting a high cost for smaller, perhaps lesser administratively enabled, formal players (Chikweche, 2020), such policies can drive them to informal sourcing (Magidi, 2024) or even out of the formal system thereby weakening again the overall formal value chain arrangement and possibly offsetting the primary policy objective. This illustrates a potential for a policy incoherence, where the means of formalizing could inadvertently undermine the sector and the entities they are trying to empower, by increasing the relative cost and complexity of formal participation, particularly for smaller actors.

In addition, the issue of policy risk, particularly around currency and pricing controls, came up powerfully in the interviews (as indeed it did in the examples of quick-fire policy reversals, like SI 81A on the use of exchange rates to price goods and its removal). Not easily measured directly through survey metrics alone, this over-arching sense of volatility can be severely constraining to strategic RTM planning and fundamental longer-term investments in what is needed for logistics optimization, technology upgrades and creating a level of stability and trust with suppliers. In that context, one would like to see the government level approximately imposing a proper tax; otherwise, it discourages the forward-looking investments needed to generate efficiency and reliability-based sustainable competitive advantage, which in turn should help the formal sector to better compete.

5.4. Supply Chain Vulnerabilities and the Technology Paradox

Persistent weaknesses within the formal supply chain remain a critical constraint (Makanyeza & Muposhi, 2021; Chiwashira et al., 2025), as confirmed by both interviews highlighting operational difficulties and survey ratings which indicated the severity of challenges like forex access and logistics costs. The large dependence on imports, cited by 78% of the sample respondents, poses intrinsic vulnerabilities to external shocks and trade and currency policy shifts (World Bank, 2022a).

It is in this context that the role of technology paints a complex picture. The regression analysis showed that there was indeed a significant positive relationship between the adoption of RTM technology and overall perceived competitiveness (β = 0.19) playing in favour of technology utilization for purposes such as inventory management, supply chain visibility and/or data analytics as a potential pathway for gaining efficiency and competitiveness. Yet, the descriptive statistics showed an overall moderation towards the adoption of such technologies (beyond basic POS) was moderate (Mean=2.9/5). This is indicative of a possible 'technology adoption paradox'. Experts in the sector have said technology may help formal businesses to address some of their operational problems and become more efficient, but the opportunity seems under-realized. The very conditions which make the operating environment difficult – high costs, low access to capital, skills deficiencies, and broad macroeconomic and policy instability (World Bank, 2022a) – are also likely substantial barriers to the investment necessary to access and adopt value creating ICTs. These perceived "risks" and high up-front costs of technology investment would appear prohibitive to many formal businesses with pressing operating challenges in such a volatile environment.

5.5. The Viability Question

The combination of these multiple and reinforcing challenges – a cut-throat, asymmetric informal competition, oppressive compliance costs, a destabilizing policy uncertainty and a supply chain fragility that is recurrent - strongly suggests that the Zimbabwean formal retail value chain is trapped in a vicious cycle. The informal sector thrives, among other things, on macroeconomic instability and the high costs of formality (World Bank, 2022a; Magidi, 2024). This unilateral informal rivalry erodes the profit margins and market-share of formal retailers (Equity Axis, 2025; Kafe, 2025). Regulatory responses that seek control and formalization, however well-intentioned, tend to create the impression of being penalizing to the already compliant formal players and ineffective in restraining informal activity, thereby deepening the distortions in competition. At the same time, supply chain deficiencies exacerbated by foreign exchange deficits and infrastructure failures (World Bank, 2022a) are also inflating costs while diminishing reliability of operations for formal sector players (Chiwashira et al., 2025).

This perpetuating vicious cycle threatens the competitiveness of the formal value chain. The analysis provide strong evidence that traditional competitive options of formal retailers, that is, differentiation by (higher) quality, (larger) assortment, (better) shopping experience and guarantee of compliance and security (cf. Makanyeza & Chikazhe, 2021), face severe limitations in a market characterized by widespread economic pressures impacting consumer purchasing power (World Bank, 2022b) and the sheer scale, convenience, and price advantages offered by the informal sector (Chikweche, 2020; Magidi, 2024). The empirical difficulties and market pull-outs of well-known formal brands (Kafe, 2025) are there to show that all these differentiation strategies are getting seriously under pressure.

Therefore, the findings, interpreted within the broader context suggest that the current operating environment stands as a threat to the sustainability of the existing formal retail models in Zimbabwe. The disconnect between the needs of the formal system (stability, predictability, compliance) and the nature of the highly informalised, highly volatile Zimbabwean economy seems to be approaching a tipping point that will require some level of strategic rethink or adaptation on the part of formal actors beyond just incremental operational improvements.

6. CONCLUSIONS AND RECOMMENDATIONS

This mixed method study has examined the complex relationship between Route to Market (RTM) policies, current strategies, and the competitiveness of formal retail value chain under the complex conundrum of the Zimbabwean operating environment. The aggregated evidence suggests that the formal retail sector is under an intense and multidimensional pressure. It's competitiveness is undermined for a number of reasons. A cumbersome and complicated RTM regulation web that imposes high compliance costs; fierce and unequal competition from an omnipresent, poorly regulated informal sector; ongoing macroeconomic volatility especially with respect to currency and inflation and inherent weaknesses and leakages in formal supply chains complemented by infrastructure bottlenecks and heavy import dependence. Data provides a quantitative baseline illustration of perceived severity of informal competition and excessive regulatory compliance burden both adversely correlated with perceived business competitiveness and profitability of formal retailing. The analysis also has implications for policy. The analysis suggests that specific policies, such as wholesale access restrictions linked to tax compliance, may have unintended consequences, potentially disproportionately affecting smaller formal players and contributing to fragmentation within the formal sector itself. This is exacerbated by the general lack of policy certainty, which affects strategic planning, investment and RTM system efficacy and competitiveness.

6.2. Policy Recommendations

Based on the challenges and dynamics revealed in the findings, the following suggestions are made for policy makers interested in promoting the sustainability and competitiveness of the formal retail trade in Zimbabwe:

- Regulatory Rationalization and Burden Reduction: Authorities should conduct a full, evidence-based analysis of the cumulative impact of all RTM- related formal business regulations (e.g. licenses, permits, VAT administration, imports/exports, and wholesale trade rules). The aim must be simplicity, the easiest process and a quantifiable reduction in the cost of compliance differential between the formal and the informal operator. Tackling the VAT compliance burden is key. This will involve addressing the 'compliance gap' and emphasize on not only having enforcement, but making compliance less painful and expensive to formal entities.
- Strengthen Policy Stability and Predictability: Introduce policy levers for establishing a more stable, predictable, and transparent policy framework, especially with regard to monetary policy, exchange rate management, and taxation. Shun the ***"boom-and-bust regulatory roller coaster"*** that destabilizes business and erodes investor trust. More stability would enable formal businesses to plan long-term and invest in efficient RTM infrastructure and systems, which would help counter the disadvantage formal businesses have vis. a vis. informal businesses, emerging from their inherent need for stability against the agility of the informal businesses.
- Transforming Evidence-Based and Coherent Formalization Approaches: This study reveals that there is need to develop evidence-Based formalization approaches that are based on context specific policy processing without losing much on time of programme implementation and considering the impact to the competitiveness of existing formal actors. Policymakers should be realistic about enforcement capacity both within the formal and informal economy when it comes to formalization strategies. The should be meticulous consideration of proposed measures that might unintentionally reinforce informal supply paths, impose unfair burdens on smaller formal firms, or encourage further divergence in the formal sector. Policy coherence is essential – different regulations must not work against each other.
- Tackle Basic Enabling Environment Shortfalls: Policymakers should have an understanding that many problems encountered by the formal retail chain are symptoms of some deeper core problems. Persistent challenges to tackle include basic infrastructure deficiencies, in particular unreliable power and transport networks that drive operating costs high. Obtaining more macroeconomic stability (and that means reducing inflation as well as stabilizing the currency) is crucial because instability is a key cause of both informality and the tailwinds faced by formal businesses.

6.3. Managerial Recommendations

For members of the management and leadership of formal retailers, the study implies the requirements for strategic realignment and pro-activeness:

- Facilitate Strategic Agility and Adaptive RTM: Formal retail players should develop flexibility and resilience in RTM strategies which acknowledge the reality of a dual economy. That could mean researching more efficient sourcing options (carefully nurturing local supplier competencies where possible), fine-tuning logistics religiously, potentially experimenting with channel strategies, and possibly pinning down and addressing niches in markets that are less vulnerable to head-on price competition from the informal sector.
- Strategically Use Technology to Drive Efficiency: Despite the tough investment environment, formal player need to strategically invest in appropriate RTM technologies with an eye toward clear returns on efficiency and cost reduction. Indeed, the time has come to unlock and optimize on improving inventory management, increasing supply chain visibility through advanced data analytics, demanding forecasting and customer insight. Overcoming the 'technology-adoption paradox' demands a cost-benefit analysis to be made but it holds potential competitive benefits.
- Drive Collaboration and Collective Influence: There is need to develop stronger collaborative relationships up and down the formal value chain, working in closer partnership with identified key suppliers and customers to realise economies of scale and reduce risks. Retailers should join membership and take a proactive role in industry associations (such as the CZR) to advocate with policy makers based on evidence, develop a common position on the effects of regulation and lobby for meaningful reforms.
- Continuous Value Proposition Redefinition: Under intensifying price pressure, formal players should constantly redefine and clearly communicate the value proposition that formal retail brings. This includes emphasizing non-price factors such as product quality assurance, safety standards, reliability, wider assortments, convenient and secure shopping environments, and the availability of formal payment options. At the same time, there

should be ongoing and relentless focus on operational excellence in all areas of the business to manage cost structures and to keep competitive pricing points.

6.4. Limitations and Suggestions for Future Research

The availability of consistent firm-level data, particularly the smaller formal firms and the very opaque informal sector, continues to pose a methodological challenge in the context of Zimbabwe (Dawson, 2024). Furthermore, the study is mainly concerned with the views and barriers of the formal sector, and so a comprehensive understanding will require more detailed exploration of the operations and strategies of the informal retail sector also.

It is hoped that future research will focus on overcoming these challenges in order to enhance understanding in a number of important areas:

- Informal Market RTM research: There is a requirement for specific research to be conducted to comprehensively map and analyse the RTM tactics employed in the informal market. This includes an examination of the sourcing mechanisms (in particular, the role and operations of Informal Cross Border Traders (ICBTs).
- Formal-Informal Comparison of RTM: Future research could conduct a direct comparison of RTM strategies, efficiency of operation, cost and price structures, and performance impact in both formal and informal retail firms in similar product industries or geographical settings. This would in turn allow better understanding of the precise nature and scale of competitive advantage and disadvantage.
- Longitudinal Studies: The unstable and fluctuating Zimbabwean economic and policy climate calls for longitudinal studies. Following up on the changes of the RTM mechanism, which are being used by formal as well as informal agents, observing the continuing effects of policy interventions as well as the changes of competitiveness over time, would help in facilitating the assessment on adaptation processes and long term trends.

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