RETAIL CENTRES AND TOWNSHIP DEVELOPMENT:
A CASE STUDY

South African CitiesNetwork

TRAINING FOR TOWNSHIP RENEWAL INITIATIVE

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TRAINING FOR TOWNSHIP RENEWAL INITIATIVE CASE STUDY SERIES

The Training for Township Renewal Initiative (TTRI) is a partnership between the National Treasury (Neighbourhood Development Programme), South African Cities Network (SACN), the Department of Cooperative Governance (Urban Renewal Programme), the Development Bank of Southern Africa (DBSA), and Urban LandMark. The partners are also supported by occasional associates. TTRI aims to promote, encourage and support township development and renewal in South Africa through the training of township managers and practitioners.

The TTRI case studies series aims to document experiences that illustrate innovative approaches to area-based development in order to share practical ideas and lessons to inform future development initiatives and practices for South Africa's townships. The case studies are primarily for role-players involved in township regeneration, including planners, trainers, policy makers, investors, community leaders and municipal officials.

This case study provides an overview of township retail centre development in South Africa. In the last ten years there has been an increase in the development of retail centres in township areas. Retail centres may have positive as well as negative implications for local development, and there is some debate about the extent to which retail-led development is appropriate for township areas.

The case study highlights some of the impacts of retail centres on consumers and local businesses. It suggests some strategies to minimise the potential negative impacts of retail centres and maximise their benefits. This case study provides a valuable learning opportunity for municipal officials who are considering retail-led development strategies for their areas.

GLOSSARY AND ACRONYMS

Anchor shops: national stores that are needed as tenants in the centre in order to attract other tenants and consumers

CLO: Community Liaison Officer

GLA: gross leasable area

Nodal development: development that takes place in response to a particular focus or hub, for example a transport interchange, a particular industry, or a retail centre

Second economy areas: township and rural areas that were underserved and economically marginalised in the apartheid era

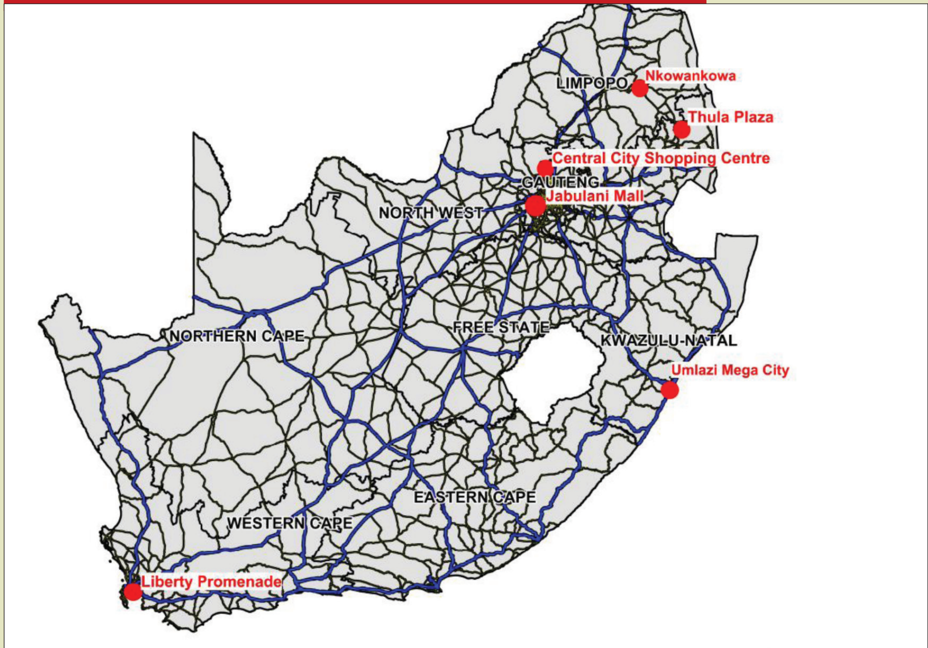
SMME: small, medium and micro enterprises

CONTENTS

1. INTRODUCTION

The development of shopping centres in township and rural areas in South Africa has increased significantly within the last ten years. This trend has been met with mixed reactions. It has been argued that the benefits to consumers, such as easier access to a wide variety of goods at cheaper prices, come at the expense of existing local enterprises that cannot compete with the shops in the centre. It is also argued that such centres play an important role in kick-starting urban renewal and development, through attracting other services and facilities to the area. Research shows that the overall positive versus negative impact of a particular shopping centre is often less clear cut and will be affected by many factors related to its specific location and development process.

Figure 1: Location of centres selected for the research study



Source: DEMACON Market Studies

This case study provides an overview of the impact of such shopping centres on consumers and local enterprises. It suggests some strategies that a municipality can consider in order to reduce any negative impact and increase the positive impact of a retail centre, if a decision is made that a retail centre is appropriate for a particular area.

The case study primarily draws on research undertaken by DEMACON Market Studies, commissioned by Urban LandMark.[1] The research included a quantitative analysis based on consumer household surveys and local business surveys.

As shown in Figure 1, the research focused on five formal retail centres in different provinces of South Africa, that ranged from urban to rural contexts. The study also included one area, Nkowankowa, that had no formal retail centre. Some of the characteristics of the retail centres chosen for the study are given in Table 1.

Table 1: Overview of retail centres selected for the research study

Name	Location	Type	Size	Date of Development	Parking Bays	Anchor Tenants
Jabulani Mall	Soweto	Minor Regional	44 355 m² 104 shops	2006	127 covered 924 open	Shoprite Edgars Woolworths Game
Central City Shopping Centre	Mabopane	Minor Regional	52 000 m² 90 shops	1996	1 030 open	Shoprite Score Clicks
Liberty Promenade	Mitchell's Plain	Minor Regional Centre	53 581 m² 150 shops	2003 Last refurbishment 2005	2 452 open	Edgars Woolworths Game Pick 'n Pay
Umlazi Mega City	Umlazi	Minor regional	28 000 m² 102 shops	2006	465 open	Super Spar Woolworths Jet Mr Price
Thula Plaza	Bushbuck Ridge	Community	11 404 m² 36 shops	1998 Last refurbishment 2003	Not specified	Boxer

Source: DEMACON Market Studies report, based on data from South African Council of Shopping Centres

[1] *Impact of Township Shopping Centres: Market research findings and recommendations,* DEMACON Market Studies, Waterkloof, June 2010, commissioned by Urban LandMark. Note: All references to Demacon's research given elsewhere in this case study refer to this report.

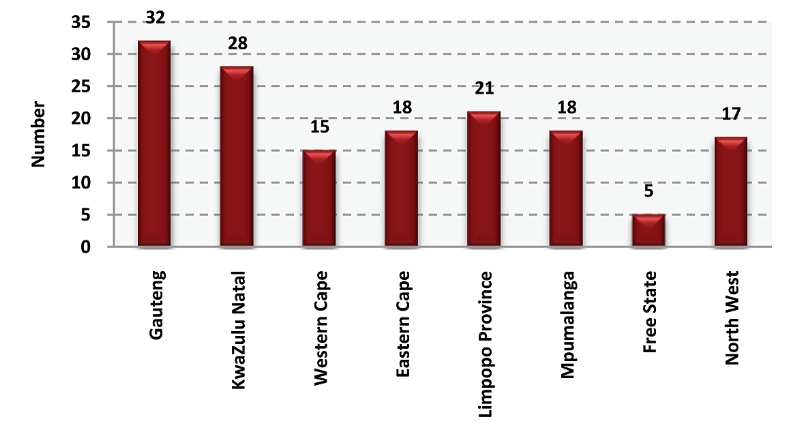
TRENDS IN RETAIL CENTRE DEVELOPMENT

In rural and township areas, i.e. second economy areas, in South Africa, retail centres have been increasing in both number and size. For example:

- Nationally, 160 retail centres had been developed in second economy areas by 2009. Of the 116 developed since 1962, 66 were developed in the 37 years between 1962 and 1999 and 50 in the 10 years between 2000 and 2009.
- The average size of shopping centre, measured in terms of retail floor space, increased from 6 500m^2 gross leasable area (GLA) before 1994, to almost 20 000m^2 GLA post 1994.

In terms of provincial trends, the South African Council of Shopping Centres has listed retail centres in second economy areas in each province except the Northern Cape (see Figure 2). Gauteng not only has the highest number of retail centres in second economy areas, but also the most diverse in terms of size of centre (it has both the smallest centre with 2 000m^2 retail GLA and the largest with 65 000m^2 retail GLA).

Figure 2: Total number of retail centres in second economy areas per province



Source: DEMACON Market Studies

The growth in retail centres seems to reflect an expectation of the continued trend for consumer markets to grow together with increased economic development in township areas. In addition, second economy areas are attractive to developers for a variety of reasons, including:

- Their ability to attract customers due to the 'under-supply' as there are not a lot of existing shops or centres in such areas, which were historically underserved.
- The fact that they are not overly regulated, particularly from a town-planning point of view. In some cases, the local authority may not have drawn up detailed development plans for the particular area, in which case a proposal for a retail centre may initiate such a process.

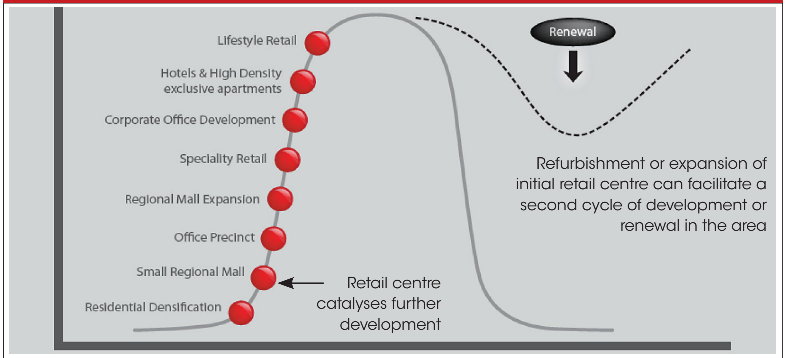
RETAIL CENTRES AS ANCHORS FOR DEVELOPMENT

In second economy areas, there is potential for a retail centre to act as a focus for further development, although there is some debate about this (see below). In first economy areas, this nodal development pattern may follow a cycle as shown in Figure 3. In such a model, the retail centre is the first non-residential development that takes place in the area. The retail centre in turn attracts further development in the area surrounding the centre, for example offices. If the centre performs well, it may expand into a larger mall with a wider variety of shops and services.

In second economy areas, a similar mixed-use nodal development cycle may occur over time. It requires coordination and phased approaches with both public and private investment, and sufficient demand is required to sustain the development. The location of the centre and whether or not there is sufficient space for the mixed-use node to expand are also important factors in determining the nodal development trend.

As a mixed-use development node evolves, the retail centre tends to follow a specific sequence. For example, an open plaza to which people may make short visits to specific shops may evolve into, or be followed by, an enclosed mall in which consumers may spend two or three hours, visiting a variety of shops, perhaps having a meal or seeing a movie. A large speciality centre, such as a Builders Warehouse, is the last type to be developed, once a large enough market has been built up in the surrounding area to sustain it.

Figure 3: The role of retail centres in the nodal development cycle



Source: DEMACON Market Studies

NOTE: There is some debate about the appropriateness of a conventional ('glitzy') shopping mall built to stimulate local economic development, particularly in, or near, low-income communities. In Europe and America very large centres, often known as 'big box developments', are controversial. Their large size contributes to urban sprawl and heavy traffic flows. Some say that they impact negatively on smaller local traders who cannot compete with their economies of scale, which may also come at the cost of worker exploitation. Such concerns "should lead us to far deeper discussions (and research) about adapted local commercial development models"[2] (See also Box 9).

[2] Thomas, W. H. *'Corporate engagement to accelerate local business development in Khayelitsha (Cape Town)'*, paper presented at the International 'Base of the Pyramid' Conference, Gordon Institute of Business Science, Johannesburg 15-19 November 2009.

2. UNDERSTANDING RETAIL CENTRE DEVELOPMENTS

TYPES OF RETAIL CENTRES

Retail centres are classified according to their size. Their size depends on their location and their potential to draw consumers from surrounding areas.

PHOTO: TWIN CITY

Blue Haze Mall, Hazyview, Mpumalanga

The diversity in the types of centres in second economy areas has increased since 1990. Before 1990, the centres developed were mostly small local convenience centres, with a supermarket and between 5 and 25 stores, and neighbourhood centres which also include some small specialised stores.

After 1990 there was a stronger trend towards community centres, which typically served a suburban community (between 8 500 and 17 800 households) and included a large supermarket, small national clothing stores, restaurants and other services. After 1994, regional centres became part of the mix, with between 150-250 stores including hypermarkets, entertainment services and more choice in clothing stores and other services.

In urban second economy areas, where markets are maturing more rapidly due to a growing middle class and increased safety net of social grants, multiple centres have emerged. For example, in Soweto, there are now two large malls and other smaller centres. However, there are limited speciality, or value, centres in second economy areas because the markets are not yet there to sustain them. The shops in speciality centres offer goods and services at discounted prices because they are larger and can buy things in bulk. They tend to operate at regional level as they need to draw in large numbers of consumers from a wide area. Examples include Builders Warehouse, home furnishings, and cycle shops.

Larger centres cater for a larger market, typically drawn from a wider geographical area surrounding the centre. To some extent the type of tenants attracted to a centre will depend on its size. For example, centres that are less than about 15 000m^2 would generally not attract banks as tenants. They would consider that the centre would not attract enough people to make it financially viable for them. Similarly, some fashion shops may not be attracted to a development of less than 10 000m^2. Larger centres are typically refurbished every 7-10 years.

However, the function of the shopping centre does not necessarily correlate with its size. For example in a rural area a relatively small centre may play the role of a regional centre, and include more services simply because there is a lack of other centres providing similar services. In addition, the centre needs to attract consumers from a wide geographical area because markets in second economy areas are relatively immature (i.e. fewer consumers that have sufficient disposable income). A simplified typology for retail centres appropriate for second economy areas is given in Table 2 below.

NOTE: Funders and investors often consider a GLA of 14 000m^2 as the minimum centre size and most consider a GLA of 25 000m^2 or more as an ideal size. However, smaller centres also have a role to play, especially if there is potential to expand them later. Centres of 5 000m^2 – 10 000m^2 GLA can be successful, although they tend to attract a limited number of national tenants in second economy areas.

Table 2: A retail centre typology for second economy areas

Format	Type	GLA
Traditional	Very large	50 000m^2+
	Large	26 000m^2 – 50 000m^2
	Medium	11 000m^2 -25 000m^2
	Small	6 000m^2 -10 000m^2
	Very Small	0m^2-5 000m^2
Specialised	Large	20 000m^2 +
	Medium	11 000m^2 – 20 000m^2
	Small	5 000m^2 -10 000m^2

Source: DEMACON Market Studies

ANATOMY OF A RETAIL CENTRE

This section outlines some key role-players and concepts involved in the development and operation of a retail centre.

Role-players

The **developer** is the individual or company who identifies a retail opportunity and develops the retail centre. They either own the land or have control over it through a lease agreement.

A retail centre requires a large amount of capital investment. The developer will usually raise this from **financiers**, such as banks, who will lend money and charge interest on the loan. They may also raise money from **investors.**

Investors and the developers will expect to receive a certain amount of profit in return for their initial capital provision. They usually expect to see a return on their investment after about one to three years.

Market researchers undertake surveys of the area to see if there is a potential market to sustain a centre. The information gathered will determine the suitability of the location, size of centre, and type of tenants needed to attract consumers.

PHOTO: KEVIN JAMES/URBAN LANDMARK

After the centre has been built, some developers manage the centre themselves. Others may use a **property management company** to look after the centre and deal with tenants and services. This may include overseeing the operation, management and maintenance of the centre and making sure that tenants' rent is paid. Other developers use a **leasing company** to manage relationships with the retailers in the centre.

Rental paid by the centre's **tenants** covers the centres operating expenses and the return on investment. The tenants provide the goods and services offered at the centre. There are two main types of tenants:

- **Anchor shops** – national stores that are the key 'draw cards', attracting people to the centre.
- **Line shops** – smaller stores, may be regional or local tenants, known in the industry as 'mom-and-pop' stores.

The tenants will need to make sure that their **suppliers** can easily access the centre and off-load their goods conveniently. The needs of suppliers will therefore inform the centre's planning and design.

The financial viability of the centre ultimately depends on the **customers** that it attracts, and their spending power. The centre attracts customers through the goods and services it offers and the general shopping experience it provides – influenced by factors such as the centre's design, accessibility and security.

The **municipality** has a role to play from the initial planning and design stages through to the long-term provision of services, such as water and electricity. The municipality will also collect revenue from the rates and taxes paid by the centre. This fiscal impact of a centre can be significant.

Neighbouring land users, which may include domestic residents and local businesses, will be affected by the centre. Their concerns, shared through the planning processes, are also likely to influence the development.

Key dimensions

The **demand threshold** relates to the number of consumers with sufficient disposable income that a centre needs to attract to be financially viable. The geographical area over which a centre can attract customers is its trade area.

The **critical mass** is the size of centre that the developer considers will be competitive. It is determined by taking account of a combination of factors such as demand threshold, tenant mix and the area's economic growth rate. This size may be larger than the size recommended in the market study.

The **yields** of a centre are its return on investment. In the first year, an investor may look for a yield of 11-17 per cent. However, in second economy areas such yields are considered to come with a high level of risk. The developer may also have to invest more in access roads and bulk infrastructure provision, compared with first economy areas. The actual yield may therefore be less than the envisaged paper yield calculated before the investment is made.

Tenant mix

An appropriate mix of tenants is needed if the centre is to provide the variety of goods and services that cater for the needs and aspirations of the potential customers, as identified by the market research.

The ability of the centre to attract both anchor shops and line stores is important for the future financial viability of the centre. Their rent will enable the developer to recoup their investment, obtain a profit within a certain time-frame, and cover maintenance costs. Certain anchor stores need to be signed up as tenants to convince other stores to sign up. In addition, they are often the stores that local consumers want to see in their area – consumers in second economy areas often being highly brand conscious.

In second economy areas banking services are particularly important, not only to attract custom to the centre, but also for the economic development of the area in general. Bankers and investors typically require that 70-85 per cent of the centre should be pre-let before the development is financed or its construction begins.

Rentals and leases

Different types of tenants will be charged different rentals, according to the amount of retail floor space they take up. The centre has to attract a mix that will make it financially viable.

Anchor tenants generally pay a lower rent per m^2 than other tenants, because they rent much larger areas, which would be unaffordable at higher rentals. Also, they can negotiate from a position of power as they are the major draw cards.

Line shops pay higher rental rates per m^2 than anchor shops (for example four or five times more per m^2), for smaller spaces in more prominent areas of the mall.

In addition, anchor tenants are usually required to sign longer leases than local tenants.

Risk

The financial viability of the centre cannot be guaranteed as it will be affected by many factors, including the general economic climate. The developer and the investor take the financial risk for the development, and have the most to lose if the centre does not attract consumers. Risk in second economy areas, for example, is mitigated if the centre has a high percentage of national tenants (95 per cent plus), is on a major taxi route, includes a taxi rank, and has national banks as tenants. However, there is no set formula. A tenant mix that works in one area may fail in another.

If the centre is part of a mixed-use development node it encourages the development of a variety of activities that can attract potential customers to the area. This not only spreads the risk for the investor, but also benefits local traders who are not tenants in the centre by creating opportunities for them to draw benefit from this emerging 'energy node', without having to actually be a tenant inside the centre.

Delays in the planning and construction phases of the development also pose serious financial risks to developers and investors. For example, if rezoning applications or other procedures (including negotiations with traditional authorities) take a long time to process, the delays can be costly if building processes have to be put on hold. To minimise such risks, once a decision has been made to go ahead with a retail centre, a municipality needs to deal with any further negotiations or administrative procedures efficiently to avoid delays.

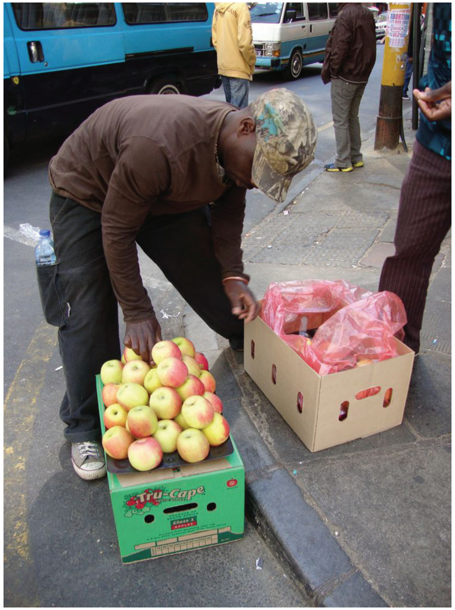


PHOTO: TANYA ZACK

Local trader at a busy corner

KEY CONSIDERATIONS IN DETERMINING RETAIL CENTRE DEVELOPMENTS

This section highlights some key things that help to determine the viability of a shopping centre. They are presented in the order in which a developer generally considers them, although the order varies according to context. In addition, the development will need to conform to relevant legal frameworks and provisions.

The case of Nkowankowa (Box 1) shows what can happen when certain conditions are not in place. In contrast, the case of Masingita Mall (Box 2) is an example of a successful development process in which all preconditions were met.

A viable shopping centre will need:

A suitable location

The site for a retail centre will need to:

- Be accessible to the potential consumer market in the surrounding areas, with adequate roads and public transport links
- Include sufficient space for future expansion of the centre
- Have no obvious risks to ecological sustainability of the area, for example the site should not be on a wetland area.

A potential market

An understanding of the potential market for the centre will determine its size and financial viability. Usually, the developer will undertake market research to determine:

- The demand threshold required to support a retail centre of a particular size
- The shops and services, i.e. the tenant mix that will appeal to consumers in the area
- The existence, or potential existence, of retail centres that may compete with the proposed centre. In second economy areas this is particularly important given the generally low level of disposable income among the population. Consumer markets to sustain multiple shopping centres take time to develop.

Available land

The ownership of the land and the process of negotiating the lease or sale of the land and obtaining the land use rights need to be clear. In rural areas, challenges related to land availability may lead to delays in a project, see for example Nkowankowa on page 14. Generally, the more landowners that are involved, the more complex the negotiations will be.

Commitment from local government

If the retail centre is to be sustainable in the long term and contribute to the future development of the area, the local municipality needs to be committed to fulfilling its responsibilities, for example in terms of approval of development rights (zoning, environmental impact assessments, land availability agreements), provision and maintenance of infrastructure for the centre itself and other public amenities in the surrounding area. It is important that the municipality has the capacity to do such work efficiently as delays during the development process can add significantly to the developer's costs.

Box 1: Nkowankowa, Limpopo

Bindzulani Centre is a very old, dilapidated shopping centre about 15km from Tzaneen. It covers about 5 000m². Most of the shops have closed down and it has no national anchor tenants. There are some small informal traders, a couple of spaza shops and a shebeen.

It is owned by its developer, LimDev (Limpopo Development Enterprise), formerly the Northern Province Development Corporation, which is a parastatal.

A potential market

A market survey undertaken for LimDev in about 2005 indicated that there would be potential for a new centre of about 15-20 000m². Currently people travel 15km to Tzaneen to do their shopping.

A suitable location

Nkowankowa is in a good location for a shopping centre. It is in a better location, in terms of attracting consumers, than the shopping centre that was built in 2008 in Lenyenye, a few kilometres from Nkowankowa. Lenyenye is further away from Tzaneen, and to get there from Nkowankowa means travelling against the dominant direction of traffic which flows towards Tzaneen, whereas people travelling from Lenyenye to Nkowankowa would be going with the flow of traffic to Tzaneen.

PHOTO: HEIN DU TOIT

Nkowankowa, Limpopo

Available land

Despite the fact that Nkowankowa has market potential and is in a good location to be a regional shopping centre, disputes relating to land ownership have held up the development process.

In about 2005, both LimDev and the local authority each independently put out a tender to revamp the centre. A legal conflict arose about who controls the land, patrols it and has the mandate to upgrade the centre. This is a legal issue that should be resolved on a technical matter to facilitate the development for the benefit of the community. However, there is a deadlock between LimDev, the local authority (which says it owns some of the land the new centre will be built on) and the local chief. The parties cannot agree on who should fulfil the dominant role and control the development. It is presumed that vested interests are contributing to the deadlock. To move forward, all parties need to work together.

Commitment from local government and other stakeholders

The dispute over land has delayed the development of the Nkowankowa shopping centre and in the meantime, the decision was made to go ahead with the development of the shopping centre in Lenyenye – despite the inadequacies of its location to support a regional centre. This suggests a lack of coordinated planning and commitment to a shared vision for the development of the region as a whole among all stakeholders.

Reflection

The experience of the retail centres at Nkowankowa and Lenyenye suggests that sometimes decisions about retail centre developments are based on vested interests (which may, for example, be commercial or political) rather than based on coordinated planning and factors relating to location and potential markets. All stakeholders, particularly local government, need to be aware of, and guard against, such practice. Developing the capacity of traditional council officials, open and transparent planning processes, and commitment amongst all stakeholders to a shared development plan, may help.

PHOTOS: HEIN DU TOIT

Bindzulani Centre, Nkowankowa

Box 2: Masingita Mall, Giyani, Limpopo

The Masingita Mall was opened in 2007 with a GLA of 10 000m². Most of its tenants are national stores, for example, Boxer Superstore, Truworths, PEP, Mr Price, Ackermans, Dunns and John Craig. By 2010, plans were being made to expand the centre.

The area around the mall is also a busy trading area, with many local hardware and furniture shops, and informal traders selling a variety of goods ranging from leather crafts to Mopani worms and fruit and vegetables.

The Masingita Mall took two years to develop and the process was relatively smooth. The factors that facilitated this are shown below. The actual construction process took about eight months.

A suitable location

The mall is situated on the north side of Giyani, near a transport hub. It is near the main taxi routes and so it is accessible to people travelling into Giyani from the surrounding rural area.

Although space for expansion is limited on one side of the mall due to the flood line of a nearby river, it can expand in other directions.

Available land

The Masingita development company bought the land directly from an individual land owner. This process was straightforward with no major setbacks.

A potential market

The market research clearly showed that there was potential for another retail centre in Giyani, particularly one that is big enough to attract the national stores.

The market research also indicated that the mall was in the right location to attract people moving in the dominant flow of traffic towards Tzaneen, the nearest large town about 100km south-west of Giyani.

The only other retail centre in Giyani, Masingita Plaza, was built in the late 1990s and is a larger centre than Masingita Mall with mostly local traders. This is not considered to be in direct competition with the proposed mall expansion.

Commitment from local government

The development company initiated the land rezoning process with the local authority. The developer also worked closely with the local authority during the environmental impact assessment process, which was managed by the developer.

The local authority provided infrastructure for the mall in terms of access roads and provision of water and electricity services. However, the standard of such service provision needs to be improved, for example the water supply is irregular.

Entrance to the Masingita Mall, Giyani, Limpopo. Below: Shopping at Masingita Mall

PHOTOS: MARK SOURIS

Reflection

Key factors that facilitated the development of Masingita Mall included:

- The absence of disputes regarding ownership or availability of the land.
- The fact that the location chosen was in the right place in terms of attracting consumers that were already travelling along nearby transport routes.
- A thorough market research study was undertaken that indicated that a retail centre of about 10 000m^2 would be financially viable in that location.
- The local authority decided that such a centre would be appropriate in the area and on this basis provided infrastructure and included retail development in their planning.

3. IMPACTS OF RETAIL CENTRES

This section presents some of the negative and positive impacts of retail centres on local community development in second economy areas. It covers:

- Local consumers
- Local businesses, including informal traders.

NOTE: This case study focuses on the more generic impacts of retail centres. Each development will have specific impacts that need to be considered as part of the development processes, such as the environmental impact assessment.

Financial viability, in terms of the centre being able to recoup investment and make a profit for the developer, is, of course, necessary for the initial development of the centre and its future operation. As shown in Table 3, within the last decade, retail centres have created 29 400 permanent jobs and contributed in excess of R90 million annually to the fiscal economy through rates and taxes. In addition, there is potential for a retail centre to attract further investment to an area and catalyse new economic opportunities. However, this picture does not tell the whole story. The overall impact of a centre needs to be assessed in terms of how it affects people living and working in the area. This is particularly important in second economy areas, and requires us to be clear about what we mean by success.

MEASURES OF SUCCESS

A successful retail centre needs to provide a positive return on the investment and sustain the retail activities of its tenants. In addition, other impacts (often external to the retail centre itself) need to be considered, for example, social, environmental and economic conditions of a community, neighbourhood or region.

For this reason, when we establish criteria for assessing the success of a retail centre we need to consider the extent to which the centre contributes to:

- A sense of community in the area through providing a pleasant, safe, convenient place for people to shop and socialise
- The development of local enterprises, not only those that are directly related to the centre but also those that are nearby
- The use and sustainability of natural environmental resources.

Some of these impacts are illustrated in the rest of this section. It begins by presenting three shopping centres that illustrate specific measures of 'success'. These are followed by discussion of particular impacts of shopping centres in more detail.

Table 3: One part of the story - retail centres' ability to be financially viable in second economy areas

	Investment Value (R'million)	Business Sales* (R'million)	Permanent Jobs	Business Taxation* (R'million)	Rates and Taxes* (R'million)
1980s	2 371	3 831	6 100	278	19
1990s	7 328	11 838	18 800	858	57
2000s	11 454	18 503	29 400	1 341	90
Total	**21 153**	**34 171**	**54 300**	**2 477**	**166**

** These figures represent average figures per annum.*

Source: DEMACON Market Studies

Box 3: Blue Haze Mall, Hazyview, Mpumalanga

This centre has successfully provided opportunities for local traders to be tenants in the centre.

Blue Haze Mall is the largest shopping centre in Mpumalanga and Limpopo (as of 2010). It began as a small centre in 1995 (about 10 000m^2 GLA) and has been expanded about three times since then to a mall with a GLA of over 64 000m^2 with 186 shops. The centre includes over 1 500 parking bays and a local taxi interchange.

The centre's anchor tenants include national stores such as Superstar, Jet, Pick 'n Pay, Woolworths and Edgars, and banks such as Standard Bank and First National Bank. However, this centre is unusual in that it also includes many non-national stores. The latter include wholesale stores, such as BH Cash 'n Carry and Ansari Wholesalers, which are supported by various factory shops, and local stores mostly focusing on fashion, for example Hop Fashion, Street Beat, Kazi & Sons. In addition, besides the national banks, various other businesses providing financial services are within the centre, such as Money Wise and Beuka Loans.

Another interesting feature of this centre is that it has grown to become a large regional centre despite the fact that the town of Hazyview itself has not grown significantly over the last 15 years. It is close to Bushbuckridge, and in a good location to draw consumers from surrounding areas.

Some reasons for the success of Blue Haze Mall in attracting local traders as tenants

- It began as a small centre and gradually changed and grew over time. This may have helped to develop the relationship between the developers and local traders.
- The developers understood that to make the centre successful they had to work with, and address the needs of, local traders and taxi operators who already had a vested interest in the area.
- The developers understood the particular development dynamics in the local area, and the need to increase local and regional demand rather than rely too heavily on the tourist market in the area. It therefore has a mix of tenants, catering for lower income groups as well as middle to high-income groups. In addition, the wholesale stores supply local businesses from a wide area.

PHOTO: TWIN CITY

Blue Haze Mall, Mpumalanga

Box 4: Thula Plaza, near Bushbuckridge, Mpumalanga

This centre has succeeded in having a generally positive impact on consumers.

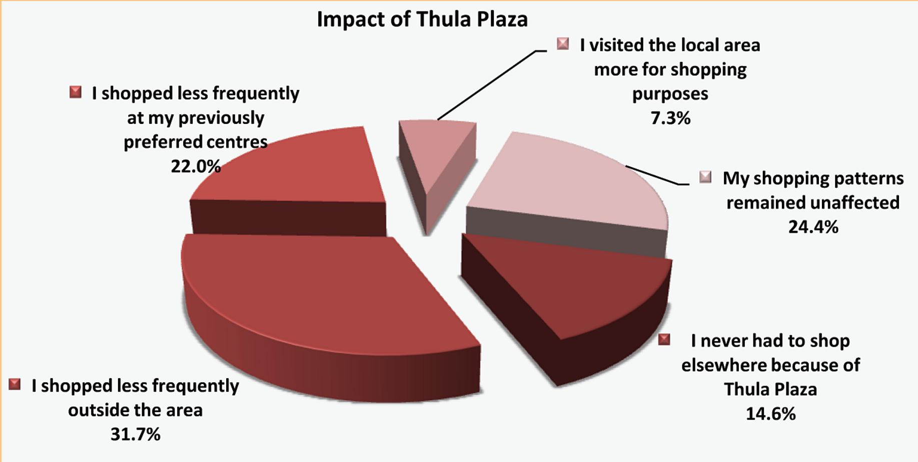
Thula Paza is a retail centre that was developed in 1998 in a rural area in Thulamahashe. There are no other centres within 10km from Thula Plaza, although four other centres operate within 20km.

Thula Plaza is a single-storey centre with 36 shops, and 11 404m^2 retail GLA. An anchor tenant is Boxer Cash 'n Carry. The centre includes general shops, some specialised shops and banks. There are no restaurants or entertainment services.

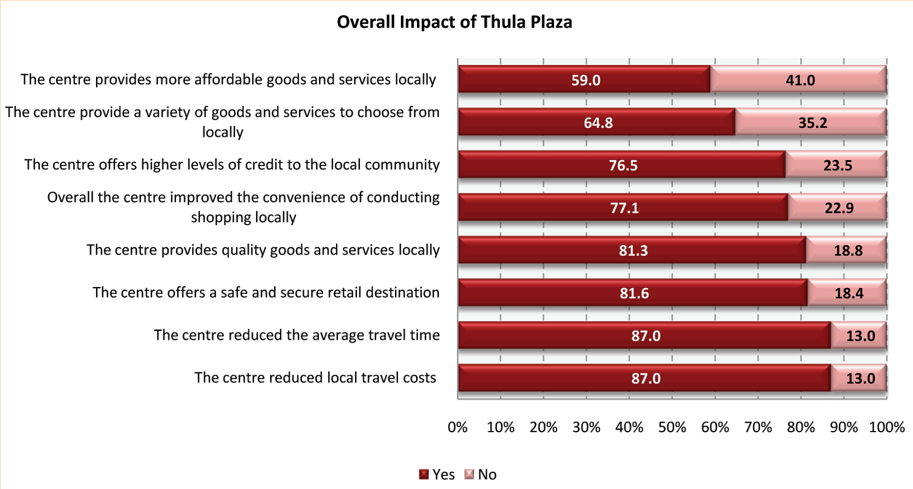
Market research revealed that the centre serves about 65 000 people including about 14 500 households. Over half the population (56 per cent) were under the age of 19. Almost 70 per cent of the population were unemployed.

Impact of Thula Plaza on consumers' choice of shopping location

The pie chart below shows that after the development of Thula Plaza, the majority of respondents preferred to shop at Thula Plaza rather than travel to other centres further away from their homes.



Source: DEMACON Market Studies



Source: DEMACON Market Studies

Consumers' perceptions of the overall impact of Thula Plaza on their shopping experience

The graph above shows some of the reasons why respondents like to shop at Thula Plaza. In general the majority of respondents perceived an improvement in their shopping experience as a result of the centre's development.

Level of satisfaction with the centre

Almost 50 per cent of respondents rated their level of satisfaction with the centre as acceptable, and about 37 per cent rated it as positive.

Most respondents rated the overall level of cleanliness, maintenance, landscaping and aesthetics of the mall as good to excellent. Some aspects of the mall that respondents thought could be improved were more open-air facilities, the inclusion of entertainment and restaurants, and more parking.

Some reasons for Thula Plaza's success in attracting consumers

- It is in a good location relative to the other centres in the region, its central position makes it accessible to people from a wide area.
- There are some government offices in the town which bring people to the area.
- It provides consumers with the services they need and in a pleasant, secure environment, suggesting good maintenance practices.

Box 5: Pan Africa, Alexandra, Johannesburg

This centre successfully managed to include local businesses as partners in the centre's development.

Pan Africa is a retail centre that incorporates a busy transport hub at the entrance to Alexandra. It opened in 2009 and includes informal trading and a formal retail centre (of about 15 000m^2 GLA). The taxi rank covers 50 000m^2, and public parking is provided.

The development of the centre addressed the need to improve the efficiency and safety of the existing transport interchange and the rather ad-hoc informal business area that had developed around it.

The centre's anchor tenant is Pick n' Pay, and other national tenants include Pharmacy, Jet Mart, Nedbank and the Post Office. Although national tenants take up 80 per cent of the retail space, the remaining 20 per cent is rented to regional and local shops covering a wide range of products and services, including fashion and beauty, medical, DVD rentals and internet access. The centre also includes a wide variety of fast food stores.

A recent survey found that before Pan Africa opened, 8 per cent of people did their grocery shopping inside Alexandra, whereas now (2010) 92 per cent shop for groceries inside Alexandra.

There were local traders operating on the site before the development. They had to be relocated while the area was redeveloped. They were the first to be considered as tenants for the new property. A list was made of local traders that wanted to be considered as tenants.

A partnership for the development process

The company that developed the mall was the product of a partnership between a development company, local entrepreneurs and the two main taxi associations in Alexandra. They worked closely with the local council and the project was part of the Alexandra Renewal Project (a government urban renewal programme).

The consortium leased the property from the council on the 99-year land lease system. The property had been an important meeting point and transport hub in the area for decades.

The fact that the municipality owned the land gave it some leverage to negotiate certain conditions with the developer. For example, it was agreed:

- To limit the size of the centre so that it would not impose too much on the other retail activities in the area
- To accommodate informal traders in the centre – 54 have stalls in the centre
- To employ local people in the centre – as part of that agreement, Pick n' Pay has recruited 60 per cent of new employees locally.

Involving all parties

The consortium involved the local government, the police, potential tenants, hawkers' associations, taxi associations and so on. It was complicated because people come and go in those organisations and you have to start again with a new person.

The developers employed a Community Liaison Officer (CLO) who was responsible for communicating with community members about issues such as design and planning, and attended all the meetings related to planning and construction and reported back to the various community groups on progress. The CLO also canvassed future employees to work there and identified local entrepreneurs who could mix cement, supply bricks or do plumbing work, so labour from the community contributed to building the centre.

The development process took four years from the initial design to completion. That's about twice as long as a similar sized centre built without such consultation (which takes about two years up to a size of about 35 000m^2).

"A key lesson learned was that it's important to make sure that all parties are included and you have to walk the streets to find out who those parties are." (A centre property manager)

Some reasons for the success of Pan Africa Mall in forming a partnership with local businesses

- The centre was in a good location, in an area that already attracted a lot of people, and in which local businesses were already operating. From the beginning, consideration was given to the needs of local businesses and their involvement with the development of the centre was actively encouraged.

- The municipality was able to negotiate certain conditions with the developers that benefited existing traders.

- The integrated development process took into consideration the interests of the developers, local businesses and traders, taxi association and members of the local community.

- The additional time needed for the participatory consultation process was taken.

PHOTO: MARK SOURIS

Pan Africa, Alexandra

IMPACT OF RETAIL CENTRES ON CONSUMERS

Research findings from the DEMACON study of the five retail centres (see page 5), indicated an overall positive impact of the retail centres on consumers. Thula Plaza (Box 4) provides an example of this.

The study found that respondents perceived the following benefits of a local retail centre:

- Savings in time and money spent travelling to centres further away
- A safe and secure place to shop
- Access to a variety of affordable, quality goods
- Access to banking services and higher levels of credit.

However, the higher level of credit offered could have a negative impact if it encourages people to spend beyond their means.

Judging by the criteria used to determine consumers' level of satisfaction with the centres in the DEMACON study and the aspects that they perceived should be improved, the negative impacts of shopping centres on consumers relate to how well the centre is planned, designed and maintained. For example, if the access roads are not planned properly and result in increased congestion for residents, or if waste management systems, cleaning, safety and security are inadequate.

A centre that is not well used and maintained could lead to social problems such as increased crime in the area, as well as detract from the overall quality of the shopping experience for consumers.

Other possible negative impacts the centre may have on people living in the area include, for example, if it infringes on public open space used for recreation or a wetland area important for flood control.

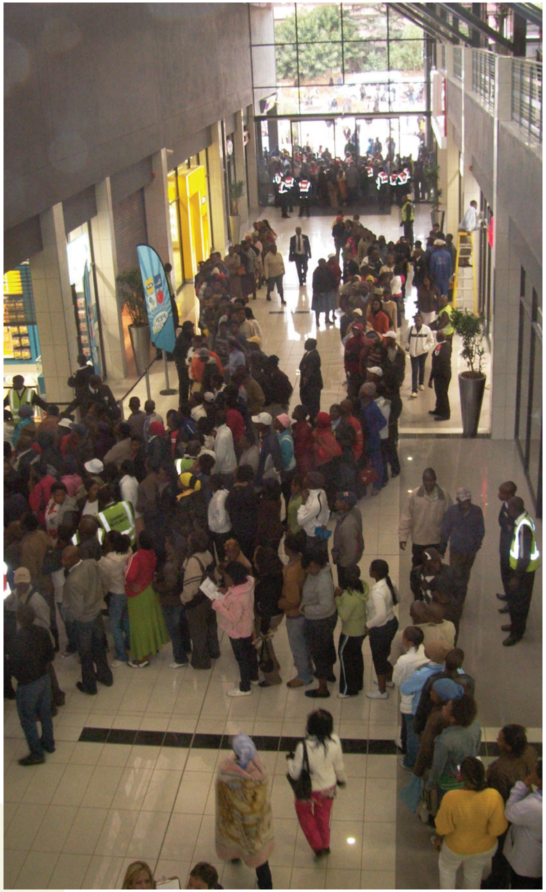


PHOTO: MARK SOURIS

The opening of Pick n' Pay, Pan Africa, Alexandra

Designing for a pleasant environment

Bindzulani Centre in Nkowankowa is an example of a shopping centre built in the apartheid era when little consideration was given to design features (See Box 1, page 14). In contrast, contemporary retail centres can be designed according to principles that create a pleasant and safe environment for people. Some examples are shown below.

PHOTO: TWIN CITY

Shrubs and trees enhance a shopping centre in Bushbuckridge, Mpumalanga

"The Post Office and Shoprite and some banks in the centre have been authorised to give out social grants. People now say 'let's go to Jabulani on the 3rd of the month to collect our grants'. And people arrive in their hundreds, and socialise as well as get their grants. The mall acts as a social meeting place."

"People call Jabulani Mall 'the people's centre'. A name that shows they have taken ownership of the place."
(A centre property manager)

PHOTO: KEVIN JAMES/URBAN LANDMARK

PHOTO: MARK SOURIS

Top right: A creative design for seating, Jabulani Mall, Soweto
Right: Inside Jabulani Mall, Soweto

PHOTO: TANYA ZACK

Local hair salon, Johannesburg

IMPACT OF RETAIL CENTRES ON LOCAL BUSINESSES

In this section 'local' businesses or traders are considered to be those that are within a radius of about 5km from a retail centre.

There is some debate as to the extent to which retail centres lead to a decline in local traders. This is partly due to the fact that there are many other factors that influence the viability of a business, such as general economic conditions and level of business skills.

The ability of local businesses to change and move their location also makes it difficult to assess the impact of shopping centres on local businesses. For example, although people may perceive that traders who used to operate in an area are no longer there, some of them may still be operating but in another location or providing a different service.

It is also important to remember that the impact of a retail centre will be context-specific and influenced by the way in which the development takes place and the capacity of local businesses to adapt and survive with the increased competition.

Recent research indicates that the impact of a retail centre on local businesses is likely to be complex and cannot simply be considered in relation to competition with the national chain stores in the centre. The examples in Box 6 illustrate the mixed perceptions of the impact of retail centres on local traders. Businesses that survive the competition from the stores in the centre can benefit from the general development of the area brought about by the shopping centre. For example, increased pedestrian volumes may benefit a service-related business such as a hairdresser. Local businesses can also adapt by changing the nature of their business.

Some of the positive and negative impacts of retail centres on local businesses are outlined on the following pages.

Box 6: Retail centres versus local businesses – a complex dynamic

Consumers' perceptions of the impact of retail centres on local traders

The DEMACON household survey results show that many respondents perceived a decline in local traders as a result of the shopping centres. However, after the development of the shopping centres, respondents still did some shopping at local traders. For example, after the development of Central City, almost 60 per cent of respondents conduct between 0 and 10 per cent of their shopping at local traders. In the case of Thula Plaza, the majority of respondents (28 per cent) said that even after the centre was developed they still do between 40 and 50 per cent of their shopping at local traders.

Such findings suggest that local traders still provide a service that is not met by the retail centre. For example, it may be the sale of more perishable goods within walking distance of homes, the provision of services that are not provided at the centre, or simply the convenience of a small, local trader.

Local entrepreneurs' perceptions of the impact of retail centres on local traders

The DEMACON study included a survey of local businesses, including informal traders, within a radius of a) 2km and b) between 2 and 5km from Jabulani Mall in Soweto, Central City in Mabopane, and Thula Plaza in rural Thulamahashe. Some respondents perceived a decline in the number of local businesses since the opening of the centre, some perceived a slight increase and others perceived no change.

Many respondents perceived benefits for local businesses as a result of the retail centres, particularly those whose businesses were within 2km of the centre. For example, 50 per cent of respondents within 2km of Jabulani Mall perceived some benefit whereas only 19 per cent of businesses within 2–5km perceived some benefit. For Central City the figures were 36 per cent and 22 per cent respectively. Around Thula Plaza, the figures were 51 per cent within 2km of the centre and 95 per cent for respondents between 2 and 5km of the centre.

The difference between the perceptions of the urban and rural respondents suggests that a retail centre may have a relatively greater positive impact on the location of a business in rural compared to urban areas, as discussed in the next section.

The perception that a retail centre has a mixture of positive and negative impacts on local businesses is also reflected in a study undertaken by the Bureau of Market Research:

"A third of the respondents surveyed in Soweto predict an expansion of their business turnover while a third expects a contraction in business turnover. Some regard the newly developed malls as their major competitor while others experienced stiff competition from fellow small businesses." [3]

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[3] *Small Business Sustainability and Entrepreneurship in a Changed Trade Environment: The Soweto Case*, Bureau of Market Research, Research Report no. 365, compiled by André Ligthelm, 2008.

Positive impacts on local businesses

The DEMACON survey of Jabulani Mall and Central City showed that as a result of the development of the centres, some local businesses continued to thrive, some moved closer to the centres, and some stayed in existence, but provided different services. The potential benefits of a centre for local businesses in second economy areas include:

- Increased numbers of consumers along the roads leading to the centre
- Access to banking facilities
- Improved supplier linkages
- Increased levels of security in and around the centre.

Some of the other benefits are discussed below.

Opportunities for some local businesses to become tenants in the centre

There is potential for local businesses to become tenants in a retail centre. An example of this in a rural area is Blue Haze Mall, which has successfully included a mix of national tenants with local and regional traders (see Box 3). An example in a more urban area is the Pan Africa shopping centre in Alexandra, Johannesburg in which 80 per cent of the GLA is rented by national businesses, and 20 per cent by regional and local shops. Some shopping centres in rural areas show a similar ratio between national and local tenants. The local tenants would provide services such as dry-cleaning, shoe repairs, health products, hair salon, locksmiths. While the bigger fashion and grocery stores would be national.

Local businesses as partners in the development

During the development of some retail centres, local businesses were included in the planning process. This helped to identify ways in which the centre could accommodate their needs, especially those that may have to be relocated while the centre is developed. An example of this is Pan Africa in Alexandra, see Box 5.

Improvements to current location

Findings from the DEMACON survey suggest that the positive impact of a retail centre on the location of small businesses may be greater in a rural area than an urban area where there are already more

PHOTO: MARK SOURIS

Facilities for informal traders in Pan Africa shopping centre, Alexandra, Johannesburg

facilities and other services attracting people to the area. For example, the survey found that most respondents whose businesses were within 5km of Thula Plaza identified the following positive impacts on their location as a result of the centre development:

- Increased proximity to public transport facilities
- Increased pedestrian volumes
- Increased visibility of their business
- Increased access to banking facilities.

In contrast, for Jabulani Mall and Central City, most respondents perceived that such features remained the same, although respondents whose businesses were within 2km of the centre perceived an increase in pedestrian volumes and proximity to transport facilities.

Development of new trading areas outside the centre

An advantage of informal traders is their ability to move to different areas. Many have taken advantage of the changes in traffic and pedestrian flows created by a retail centre. This has resulted in new trading areas, or work zones being created. Examples are given in Box 7. While some centres may provide storage places or other facilities for local traders, it is important to remember that many informal traders prefer to be mobile and move around, trading at different places on different days or different times of the month.

Box 7: New opportunities for trading

"Jabulani Mall is visited by thousands of people every month. People's driving or walking patterns have changed. Roads that previously didn't have informal traders on now have them because people are walking through those roads to get to the centre.

People find shortcuts to get to the mall. For example, many people now walk down a particular road and cross a piece of open veld to get to the centre. That area used to be a wasteland. Now the walkway through it has informal traders on either side of it. What used to be a wasteland has now become a busy trading area.

I've also noticed a new hair salon being run from a person's garage along the busy road."
(A centre property manager)

Increased diversity and higher standards of local businesses

A retail centre can encourage a wider diversity of traders and services provided in the local area, through the ability of some existing businesses to adapt to fill gaps in the local market. It can also stimulate local traders to improve their services. In general, such changes are prompted by the increased pedestrian volumes in the area around the shopping centre and competition from the centre. Examples are given in Box 8.

DEMACON's findings indicate that there seems to be a greater flexibility among small local traders, such as spaza shops and informal traders. They have the flexibility not only to move to areas with more passing trade, but also to increase the range of products or services offered.

PHOTO: TANYA ZACK

Backyard shop, Johannesburg

Box 8: Local traders respond to a changing market

"If I look at local retailers, within two years of the centre having opened on their doorstep, I see that they have refurbished themselves. For example, a local butcher's shop that was looking run down has smartened up after the Shoprite Checkers opened a few kilometres down the road. They have to do it as a matter of survival more than anything else."
(A centre property manager)

Before Thula Plaza was developed, a local business only sold cell phones. It now offers a cell phone repair service as well. Near Central City, a local fruit and vegetable seller changed to sell fast foods. A local internet café added faxing and photocopying to the services it offered, after Jabulani Mall opened.

DEMACON Market Studies

Negative impacts on local businesses

There are various ways in which retail centre developments may negatively affect local businesses, although the dominant factor relates to increased levels of competition. While some smaller businesses and informal traders can adapt to the new challenges posed by the shopping centre, many of the more vulnerable ones cannot and may close down. Some ways in which retail centres may negatively affect local businesses are shown below.

Research undertaken by the Bureau of Market Research indicates that businesses that experience the most negative impact are those located in old shopping centres, and those trading in daily household necessities.[4]

Competition from the shops in the centre

"We just couldn't compete with prices at the centre"

The benefit a retail centre may provide for consumers in terms of access to a variety of affordable, quality goods, can have a negative influence on existing local traders. For example, a retail centre can attract national chain stores that can offer lower priced products, due to their access to large numbers of consumers. However, local traders do not have the economies of scale provided by the big shops, and so cannot compete on the same level.

To survive the competition, local businesses may have to change and offer different products or services in order to retain customers and attract new ones. Some small traders lack the skills and other resources to develop their business and survive the competition – not only from the shops in the retail centre, but also from the local businesses.

In some cases, this negative impact on local businesses may result in a high number of local businesses closing down. For example, the Bureau for Market Research carried out a study on the impact of Jabulani Mall on small businesses.[5] They followed 350 small businesses in Soweto over four years. 60 per cent 'closed their doors' during that time. However it appears that the 'human element' (such as individual's business skills and ability to adapt to change) was an important factor in dictating the sustainability of the business – rather than the impact of Jabulani per se.

[4] *Small Business Sustainability and Entrepreneurship in a Changed Trade Environment: The Soweto Case,* Bureau of Market Research, Research Report no. 365, compiled by André Ligthelm, 2008.

[5] Professor Andre Ligthelm, UNISA's Bureau for Market Research, personal communication. See *Small Business Dynamics in Soweto: A longitudinal analysis,* Bureau of Market Research, Research Report no. 386, compiled by André Ligthelm, 2010.

Local businesses unable to become tenants in the centre

"We could not afford to rent a place in the centre."

National shops in a retail centre rent large areas at a very low rent per metre squared, for example R70m². They get good rates because they can attract consumers to the centre and they rent large areas. Smaller units in a centre are rented out at much higher levels, a few hundred rand per square metre. Such rentals are often prohibitive for small traders.

"The application process was confusing, we just did not know where to start."

Many small traders lack the skills and resources to successfully apply to become a tenant in the centre.

Although franchise opportunities exist, not all local traders are suitably equipped to trade in a shopping centre environment.

PHOTO: TANYA ZACK

High street stall

Decline in passing trade for some businesses

"People don't pass by us any more, they go straight to the centre. Suddenly we are in the wrong location."

Businesses that are more than 2km from the centre tend to suffer the greatest in terms of lower levels of passing trade. The presence of a centre changes the traffic (both in vehicles and pedestrians) flows in the area. Businesses that are not on a main route to the centre, have fewer people passing by and so fewer potential customers. Some businesses may not be able to relocate nearer the centre for various reasons, including cost.

4. STRATEGIES FOR SUCCESSFUL RETAIL CENTRE DEVELOPMENT

This section considers what can be done to minimise the negative impact of shopping centres in second economy areas and maximise their benefits. It includes factors to consider both before and after the development of the centre.

The primary reason for a developer to invest in a retail centre is to make a reasonable return on the investment. It is the responsibility of the municipality to make sure that development projects in the area are planned and implemented in a way that benefits the community both in the short and long term. To achieve this, it is necessary to balance the developer's, or land owner's need to make a profit with social good. The suggestions below can help to create such a balance.

A 'successful' shopping centre is one that is not only financially viable (to recoup investment costs, make a profit and ensure that the centre is adequately maintained), but also contributes to the economic and social development of the area, with minimal negative ecological impact, and even securing local and broader environmental improvement.

4.1 KEEP THE BIGGER PICTURE IN MIND

Firstly, it is important to remember that retail is only one option for driving development. In some areas, other initiatives may be more appropriate development anchors. There are also alternatives to the conventional shopping centre model of retail-led development, (see Box 9 on page 42). A decision to pursue retail-led development should be the result of a clear articulation of development objectives, consideration of development options, as well as a holistic assessment of the pros and cons (specifically, the costs and benefits) of particular approaches and designs.

Secondly, from a development perspective, a shopping centre is not an end in itself. The centre on its own will not lead to the economic development of the area – it is one part of a coordinated development plan. For example, it requires the local authority to fulfil its responsibilities in terms of infrastructure and service delivery, and may require accommodating in parallel other development initiatives such as offices, residential mixed-income housing, public and social facilities such as community centres, health care centres, police stations, and light industries.

In this way the surrounding development of the area will also have the effect of gradually building up the consumer market required to sustain the centre in the long term, for example through local job creation increasing local spending power (i.e. people's ability to afford to shop at the centre), or a mixed-income housing scheme stimulating a market for various goods and services provided by the centre.

The development may also need to go through an environmental impact assessment process. It is important that adequate time and resources are given to do this effectively. Some developers consider the environmental impact assessment process as an impediment and an unnecessary delay. However, it is an essential part of the planning process that can not only highlight potential problems such as risk of future flooding if the development threatens a wetland area, but also identify creative solutions such as integrating water saving or energy-saving technologies in the centre's design, or features to reduce noise and dust from increased traffic.

4.2 NEGOTIATE A BALANCE BETWEEN SOCIAL GOOD AND PROFIT

Like any development, planning a retail centre requires the municipality and the developer to work together. The municipality has a responsibility to direct development in ways that also derive benefits for poorer communities and the public at large and enhances environmental quality. The developer's primary interest is to ensure the financial viability of the centre. The planning phase provides an opportunity for the municipality and developer to decide how both of these interests can be met.

The planning process may involve some negotiations and voluntary agreements. For example, if the municipality lacks adequate funds for infrastructure provision, the developer may agree to pay the cost of installing bulk services. Other areas open to negotiation, within reason, may include affordable housing, taxi ranks, parks, social spaces, preferential procurement and employment, mentoring, and skills training. In return, the municipality may agree to discount rates for a specified period, handle land claim issues or provide some other kind of benefit in lieu of the work done by the developer. An understanding of the long-term vision and developmental agenda for the area and a creative approach to retail-led development (see Box 9) can enhance such negotiation.

In second economy areas, a developer contributes towards the broader social development of the area. However, municipalities cannot regard developers as 'cash cows' that can be asked to invest more and more in a project in which they are already taking a high financial risk. The municipality can consider facilitating the release of additional funds for the project, such as through the Municipal Infrastructure Grant or Neighbourhood Development Partnerships Grant.

Municipal officials can assist developers to participate in processes that develop a quality centre and also provide social

PHOTO: KEVIN JAMES/URBAN LANDMARK

Main road past Jabulani Mall, Soweto

and economic benefits with minimal environmental damage. However, the municipality needs to play its role and ensure that the processes and system work effectively and efficiently. This includes being clear about the regulatory framework, conditions and decisions that are made, as well as timelines that are communicated to developers, for example, regarding how long an approval process may take.

Municipal officials can be more proactive and even initiate and manage engagement with companies (developers, financiers and retail companies) who are prepared to think differently about how they do business. For example, a national retail company may not be prepared to employ 80 per cent of local staff initially, but they may start with a lower percentage, implement training schemes and employ more local people as the skills base grows. Others may recognise the value of environmental economic approaches, for example, the benefits of local procurement can result in savings in transport costs, while local reuse and recycling initiatives can reduce the cost of waste disposal. Also consider the development of more creative approaches to training and development of small enterprises, such as building on the strengths of informal traders, initiating local supply chains, joint ventures and franchises.

PHOTO: MARK SOURIS

Community event outside Jabulani Mall, Soweto

4.3 TAKE ACCOUNT OF THE LOCAL CONTEXT

Each centre will be context-specific; what works in one place won't necessarily work elsewhere.

Even though the same preconditions may apply, a type of retail centre development that worked elsewhere will not necessarily succeed in a different area. It is important to understand local dynamics, needs and trends. There will be specific challenges, opportunities and costs that need to be considered when deciding on the type of retail centre and the way in which it is developed in a particular area.

Retail centres are about people – not merely consumers. How can we add value to shopping centres, for example by including spaces for people to socialise, and integrating their supply chains with local producers and service providers? Creative planning and thinking about alternative retail models can help to develop innovative answers to such questions (see Box 9).

4.4 BE AWARE OF VESTED INTERESTS DRIVING THE PROCESS

Vested interests, and even greed, from the landowner's, developer's, community's, or government's side can influence the process and result in a centre, for example, being delayed, or built in an inappropriate location with ineffective public participation processes. Open, transparent development processes can help to avoid this.

Usually the developer initiates a retail centre development, sometimes after being contacted by a local landowner. However, the municipality needs to be proactive in its land-use planning and not merely respond reactively to applications. This will allow the identification of sites to be selected for retail based on relevant criteria and assessment of other land uses in the area, not merely because a particular developer or community leader owns the land.

In the same respect, a municipality cannot simply ignore market signals and try to force development where there is no feasible opportunity or private sector appetite.

4.5 CONSIDER THE MARKET DYNAMICS AND FINANCIAL CONSIDERATIONS WHEN PLANNING THE CENTRE

Information related to consumer behaviour, their current shopping patterns and preferences, and so on, can inform the process of deciding where the centre should be located, and how big it should be to attract the required mix of tenants. For example, it is often better to locate a centre on a main road so it is accessible to people from a wider catchment area, rather than in the centre of the township which may cause traffic congestion and make it difficult to expand later. It may be preferable to build a centre that is 15 000m^2 rather than 10 000m^2. For example, the slightly larger centre could attract banks and more fashion tenants. These would encourage more people to stop at the centre on their way to the largest town and so increase its market potential.

Sometimes, as shown in the example of Lenyenye, shopping centres are not built in the best location. It is all too easy for this to happen in rural areas, where there are no other existing centres. In the absence of competition the centre may survive its first couple of years. But then, as other competitors emerge, the problems related to the ability of the centre to attract the required tenants and volumes of consumers become more apparent.

4.6 TAKE ACCOUNT OF DIFFERENT TYPES OF DEVELOPERS

Municipal officials need to be aware of the different types of centres and developers as some may be more appropriate for their area than others. Avoid making generalisations about them.

The retail centre development sector is very specialised with particular types of developers and funders that have focused on providing a certain type of centre for a specific segment of the market. For example, some developers build a centre and sell it within the first three years. Others, as in the case of Blue Haze Mall, may retain ownership of the centre for many years. The different developers will have different investment strategies, and deliver a different type of centre. They will also have different ways of working. For example, some will assign a CLO to the project and be prepared to spend longer in the planning and development phase in order to consult with different parties affected by the development. Others will just be focused on building the centre as quickly as possible to save costs.

During the planning process, build in and clearly communicate responsibilities, incentives and regulations to ensure that the development objectives are evident and enforceable.

4.7 CONSIDER CENTRES THAT COMPLEMENT EACH OTHER

Within any one region, a mix of centres may be needed – some small and others larger, as they may serve different functions. Each case needs to be considered as part of the bigger development picture for the area – for example, a smaller centre may not do very well if a larger centre is built too near it offering similar goods and services. However, there is potential for different centres and downstream enterprises to complement each other rather than compete. For example, a smaller centre may provide local repair shops or hair salons, or photocopying and fax services for local businesses. Such services may either not be provided in the larger centre, or there may be sufficient local demand for such services to avoid competition.

There is also a limit to the extent to which this 'mix' can be planned. To some extent, market forces will shape it. However, ideally developers should not be allowed to monopolise the market.

Although the market research undertaken by the developer should consider the issue of competition between centres, it is important for municipal officials to be aware of it as it will inform their development plans.

4.8 START WITH A VIABLE SIZE AND ALLOW FOR FUTURE GROWTH

A combination of factors affect a developer's decision about the size of a retail centre, such as the potential market and how it may grow, competition from other centres in the region, construction costs and retailers' space requirements.

PHOTOS: TANYA ZACK

Waiting for customers, Johannesburg

The decision requires balancing different factors and making tradeoffs. For example, a centre needs to be big enough to attract a viable tenant mix. However, if it is too big it may not get enough customers to support it. If it is too small, it may have to be expanded within two or three years which will not be cost-effective. It may also not be able to attract anchor tenants or compete with other centres in the region.

Attracting passing trade, Johannesburg

The initial size of a centre depends on its particular context. For example, in a rural area a smaller centre (e.g. 15 000-20 000m^2) may be appropriate as the market is developing and other economic and residential development taking place. In urban areas, bigger malls, such as Jabulani Mall (about 40 000m^2), can survive because there is a more mature market, with mixed income groups.

4.9 ENSURE COMMITMENT FROM OTHER ROLE-PLAYERS AND AFFECTED PARTIES

If it is to work effectively and be successful, the centre will need the support of different sectors in the community (such as residents and taxi operators) and different local government departments – safety and security, waste management services and so on. A good way to achieve this is to involve them in the planning and design processes.

Experience from the development of Jabulani Mall, Pan Africa and other centres, shows the importance of investing time and resources in involving not only the local council and government players, and potential tenants, but also taxi associations, informal traders and others who may be affected by the centre's development. Such a process can help to identify ways in which the centre can reduce some of the negative impact on local businesses, for example, through addressing the needs of local traders. The latter may result in the provision of additional facilities such as after-hours storage facilities, fridges, sheltered stalls and access to toilets, etc. Perhaps different types of facilities could be offered at different rentals. The process would also help to plan for any additional waste management and cleaning services needed, and security issues.

The process can also generate innovative ideas to enhance the sustainability of the centre – economically, socially or environmentally – and integrate the centre with local production and service activities. In this way, local businesses and residents can play a role in the development of the area as producers and service providers, and not only as consumers or retailers. For example, local confectionaries, bakers, flower growers or vegetable producers may be able to sell their produce to the shopping centre.

PHOTO: TANYA ZACK

Wares of an informal trader

Municipal officials can play an important role in facilitating such processes, and ensuring that the developer has a CLO who understands the dynamics within the community. Public participation processes need to be meaningful, allowing for the two-way exchange of information and ideas.

Managing such complex processes effectively requires commitment from key individuals at local authority level who can take a lead and follow the process through.

It is important to recognise that the financial viability of the development will depend on the efficiency of the development process – delays will cost the developer money. This means that everyone in the team needs to know exactly what they have to do within the time available. However, it is the municipality's responsibility to ensure that financial considerations do not compromise the long-term needs of the community in the area.

4.10 ENSURE ADEQUATE MAINTENANCE OF THE CENTRE AND SURROUNDING INFRASTRUCTURE

The municipality will need to provide infrastructure and services such as water and electricity for the centre. This needs to be done together with, and not at the expense of, service delivery to residents and businesses in the surrounding area.

For the centre to be sustainable, the municipality will need to maintain such infrastructure and service provision after the centre is built.

Long-term maintenance of the centre is important if it is to provide adequate customer service and be sustainable. A centre that is effectively managed, clean, attractive and secure can have a positive impact on the surrounding area, and contribute to a sense of place and community.

4.11 PROVIDE SUPPORT FOR THE DEVELOPMENT OF LOCAL BUSINESSES

Some of the ways in which municipalities can encourage an environment in which local businesses thrive and develop before and after a retail centre development are given below (see also Box 9). Municipalities may also consider promoting and supporting multiple retail activities, from local, small-scale traders or spaza shops through to the more upmarket shopping malls. A resilient economy and a functional town or neighbourhood requires this multiplicity of commercial activity.

Facilitate training and support programmes

The negative impacts of a shopping centre are most keenly felt by smaller businesses that lack the skills and resources to adapt and survive the increased competition. The municipality can help to mitigate such impacts through working with other partners from the private and non-governmental sectors to provide training in business management skills and other support for the development of local business. Such support needs to be part of a continuous development programme and not just a once-off project. It would also assist local businesses to develop along the business sophistication scale (from informal to formal, registered businesses).

The work may involve:

- Undertaking a skills audit to identify gaps and training needs
- Developing and implementing skills training and capacity development programmes (for example in entrepreneurship, business and financial management, marketing, how to apply for tenders etc.) which include follow-up and ongoing support services, such as through a mentorship programme.

Support for local businesses to develop the skills needed to produce and trade quality products that attract local consumers, who may currently prefer the national brands, can have a number of benefits. For example, it may result in a higher per centage of local traders being included in the tenant mix and can help to keep more money circulating within the local economy, rather than leaking out through the big national stores.

Improve facilities for local traders

It may be appropriate to create more affordable places or facilities for local traders near the centre – coupled with training or other support to help them to take advantage of the better location. For example, by specifying an area within the township for small business facilities, such as offices or stalls, and making them available at an affordable rent with services, such as water and electricity.

The provision of fixed facilities near a centre may not be appropriate for all local traders. For example, many informal traders, particularly in urban areas, regularly move location. In addition, some may trade near the town centre or taxi ranks on some days, and move back to a township area over weekends.

Plan for services that help local business

Providing support for existing local businesses and opportunities for their enhancement involves considering their needs in the planning and design of retail developments. For example, a wide variety of local businesses may benefit from the provision of banking facilities in the centre.

Understand the local business dynamics in the area

Facilitate the collection and sharing of information about, and for, small business development in the area. For example:

- Provide workshops and public meetings about which business sectors in the area are growing or declining, which ones have investment potential, new opportunities for small, medium and micro enterprises (SMME), national business support initiatives and finance institutions and networks.
- Establish a database of local businesses, a small business forum, a local business information centre.

More details about providing support for small businesses are given in the DEMACON Market Studies report.

4.12 IMPLEMENT A LONG-TERM MONITORING AND EVALUATION PROCESS

Gathering baseline data, such as information about the number and nature of existing businesses in the area will help to determine the impact of the centre over time. This will help to inform broader land-use planning and rezoning decisions in the future. Therefore the development agencies should include a strategy for monitoring and evaluation, including the appropriate packaging and dissemination of the information so that it informs other developments over time.

In terms of monitoring the centre's impact on consumers, it is worth noting that developers generally consider that it takes between 18 and 24 months for consumer behaviour to settle after the opening of a new retail centre.

Box 9: Thinking creatively about retail-led development

At a colloquium of township development practitioners held in August 2010, there was a call for a more creative approach to retail-led development – one that considered improvements or even alternatives to the conventional, developer-led shopping mall model. It was felt that uncritically following a conventional approach to retail centre development may not effectively address the broader challenges and opportunities for long-term township development. For example, it may merely encourage consumerism (and possibly increased debt). There are companies that are prepared to think differently about how they do business, and municipalities need to be more proactive in engaging with them.

Some tips for how municipal officials can facilitate a more creative approach to retail-led development:

- **Keep abreast of new urban development ideas** and explore alternative retail models. Alternatives to a shopping mall that were discussed include high-street developments, 'chaos precincts' (compact retail areas made up of many small shops), hybrids between formal and informal centres, centres that are community centres and not characterised by national anchor tenants, and models that build on the strengths of the informal-trader style of retail.

- **Develop a vision for your area** and actively work towards that. Understand the spatial development framework for the area, and the vision that it is working towards. When considering proposals from developers, make sure that they are in line with your vision, don't just approve them on the basis of technical criteria, such as parking, drainage, etc. Actively coordinate land use management with local economic development and service development.

- Develop a **sensitive and contextual understanding** of people's lives, and how the local economy works. For example, understand the logic behind the way informal fruit and vegetable sellers operate – it may not appear successful, but if they keep coming back something must work for them. Beware of simply imposing another business system on a community without understanding the benefits of what works in the existing system.
- **Be proactive,** and engage with developers and national tenants to negotiate a mutually beneficial agenda. This involves thinking for the long term and aiming to increase the amount of money that circulates within the local economy through job creation, and the development of creative local entrepreneurs and many diverse small businesses. Adding social value to a retail centre development may also involve including non-retail services in the centre, such as a community health centre.
- Consider opportunities for **encouraging an external market** (i.e. providing goods and services that attract people from outside to the township), for example through building on the historical and cultural aspects of the area and skills of local artisans.

Source: Proceedings of a colloquium on retail-led township development, August 2010, organised by the Neighbourhood Development Programme, National Treasury. The full set of proceedings may be accessed at: http://ndp.treasury.gov.za/TTRI (click on 'Courses Library')

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