taking stock

the development of retail centres in emerging economy areas

impact on local consumers, local businesses and the local economy

Urban LandMark

making urban land markets work for the poor

acknowledgements

Photo credits *(Jabulani Mall): Kevin James*

Many useful inputs have been received in the compilation of this report. However, specific thanks are given to Hein du Toit, Mark Souris, Geci Karuri-Sebina, Alistair Clacherty, Vallery Groenewald and the participants of the Training for Township Renewal Initiative Colloquium on Retail-led Township Development.

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July 2011

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about urban landmark

Established in May 2006 with funding from the UK's Department for International Development (DFID), Urban LandMark works to find remedies to the problems that have made urban land markets dysfunctional, and hence land unaffordable.

Our initiatives aim to shift policies and practice to improve access to well-located urban land by making markets as well as land planning and management systems work better for poorer people, giving meaning to the idea of people having a right to land.

Urban LandMark plays a catalytic role by using research to inform policy, and by promoting dialogue between key stakeholders – government, the private sector and civil society – to foster a common understanding of and find effective solutions to prevailing obstacles in urban land markets.

Our work in South Africa, which shares common problems with cities and towns in many other developing countries, such as rapid urbanisation, rising land prices, unequal access to services, uneven legal protection and limited state resources, has been broadened to include a Southern African regional focus.

about the study

The last decade has seen a significant increase in the number of retail centres being developed in 'emerging economy' areas[1] in South Africa. In Soweto, for example, arguably South Africa's best-known township, at least six shopping centres have opened their doors since 2005, and the township now hosts several well-known retail complexes, including Maponya, Jabulani and Bara malls. In the townships adjacent to Cape Town, residents are able to shop at Nyanga Junction, Westgate, Liberty Promenade, and Khayelitsha malls, and in Durban, township residents can visit Umlazi Mega City and Dube Mall.

Even in the townships of smaller South African cities, such as Port Elizabeth and Polokwane, shopping centre developments have sprung up, changing the face of commercial transactions for many residing in these areas.

Since retail centres are usually the first non-residential type of development to occur in a developing node, they are seen to play an important role in the growth of an area. However, the trend has been met with mixed reactions.

Some argue that these centres have a negative impact on the local economies by out-competing local small businesses. Others say that retail centres bring a wider range of goods and services closer to the local population at better prices, reducing the need to travel and the associated costs. Still others think these centres can play an important catalytic role in generating urban agglomerations, thereby initiating urban renewal and the development of vibrant town centres.

The reality is that these retail centres have been and are being developed; they are part of the changing landscape of 'emerging economy' areas in South Africa – the role of stakeholders in such developments is to ensure the retail models fit better within the context of these areas.

objectives of the study

- obtain a basic understanding of the functioning of township economies and land markets
- develop a dynamic market perspective and trend analysis of shopping centre developments in South Africa's 'emerging economy' markets over the past 10 to 15 years
- develop an understanding of shopping centre hierarchies, and the emergence and evolution of commercial nodes in 'emerging economy' areas
- determine the impact of 'emerging economy' centres on the local consumer market
- determine the impact of malls in 'emerging economy' areas on small formal and informal businesses
- identify critical success factors – centre location, design and tenanting considerations, critical mass requirements, and transport considerations
- identify the challenges / opportunities for the industry
- identify clear, concrete intervention options and recommendations in terms of
  - negative impact mitigation and positive impact optimisation strategies
  - addressing identified blockages in the system

To enable us to understand this market better, Urban LandMark in 2009 appointed Demacon Market Studies to carry out a study to determine the nature and impact of shopping mall developments in South Africa's 'emerging economy' areas, and explore ways in which the positive impact of these centres can be maximised and the negative impacts minimised.

The aim is to assist in the development of effective leverage mechanisms to improve the role of commercial markets in 'emerging economy' areas, and help developers and investors to refine their approaches to servicing consumer demands in these areas. More broadly, through an improved understanding of the economic, spatial and social characteristics of 'emerging economy' areas, development practitioners should be enabled to formulate appropriate solutions to the challenges that face these areas in terms of regeneration and development, and residents in terms of access to economic opportunity.

This resource begins by looking at supply-side trends, including changes in the national consumer landscape and in the actual supply of retail centres in 'emerging economy' areas. The next section explains the logic and drivers of each of the role-players involved in the development of a shopping centre, while the third section details the project approach and selection of the case study sites. In the fourth section, we share some of the findings of the local consumer and local small business surveys carried out in each of the case study sites – in terms of the impact the development of retail centres have had in these particular 'emerging economy' areas. Finally, we look at some key issues to consider when developing retail centres in South Africa's 'emerging economy' areas, and some of the factors that potentially ensure their success.

[1] *Townships and rural areas*

contents

undermining the survival and growth of local enterprises...

...the first of a series of boycotts against the new Pan Africa Mall in Alexandra, north of Johannesburg, will start on Thursday, the Greater Alexandra Chamber of Commerce and Industry has said.

Spokesperson of the chamber's youth wing, John Makgoka, said the body would embark on a protest this week to discourage consumers from shopping at the mall until it was "fully-owned" by locals.

"The people of Alexandra will fight for what belongs to them. We will cripple the tenants until they leave."

15 June 2009 – www.bizcommunity.com/Article/196/344/36935.html

...the Bureau for Market Research at Unisa has found that shopping mall developments create heightened competition for small township businesses, with a potential risk of considerable consumer expenditure displacement away from them to national chains and franchise businesses in the new shopping complexes.

1 February 2010 – www.iolproperty.co.za/

...in Soweto, two big malls – Maponya Mall in Klipspruit and Jabulani Mall in Jabulani – have been developed to accommodate the shopping needs of more than 2 million residents.

Although both projects were welcomed by the Soweto community at first, including small business owners, the malls are now regarded as a threat to the development of small and medium-sized enterprises in the area.

Local customers have deserted the traditional township supermarkets, opting to shop at bigger and more established mall chain shops.

"I have lost many customers to the nearby Jabulani Mall. People are buying their groceries in that mall and I was forced to close some of my grocery shops, leaving behind only a hardware," says Reggie Makhetha, owner of Roots Restaurant in White City.

Sibusiso Tapera, MD of Toby's Ford and Service Station in Diepkloof's oldest business centre, Black Chain, says the malls, including the nearby mini Bara Mall, forced him to think twice about renovating his old business, to keep his long-time client database intact.

"Because of the new malls, we are forced to renovate our businesses to look modern in order to keep the existing or attract new clients," he says.

He says proper financial support from well-established businesses and the government is needed to enable entrepreneurs to expand their operations, as they create jobs for young people.

The rapid increase in consumer expenditure by residents in townships and the fact that most dwellers do not want to move out of their townships create substantial market potential in these areas.

But the trend of building big malls in the townships is making it hard for local entrepreneurs to compete, because most cannot afford to pay the high monthly rentals.

3 February 2010 – www.businessday.co.za/articles/Content.aspx?id=9274

or... stimulating development in South Africa's townships

...only months after the high-profile launch of the Pan Africa Shopping Centre, its anchor tenant, a 2 800 m^2 Pick n Pay franchise, is celebrating better-than-anticipated sales. Franchise owner, Tshepho Ndlovu, attributes this to the taxi-retail node bringing valuable footfall and disposable income to the mall.

"The people of Alexandra deserve a mall of this standard and they're doing their shopping here, instead of travelling long distances by taxi to other areas."

Pan Africa Shopping Centre is fully let, with over 95% of its stores open for trading and reporting good support from consumers. The taxis are operating from a 50 000 m^2 taxi rank, creating a vibrant synergy with the retailers – testament that the vision for the development has translated into a resounding success.

Ndlovu believes the shopping centre is a valuable asset for Alexandra and he is confident that community support for the centre will continue its upward trend. The Pick n Pay franchise is actively involved in the Alexandra community, and Ndlovu says their recruitment policy favours residents of Alexandra, with 71% of staff members coming from the community.

Some 80% of tenants comprise national retailers, of which a large number are represented in Alexandra for the first time in the centre.

18 August 2009 – www.eprop.co.za

...Mduduzi Nkosi, who owns the Bath House Hair & Beauty Spa shop, says he was forced by business conditions to move from Dube, where he started his business four years ago, to the new, classy Maponya Mall.

"I wanted my business to grow beyond the level that it was before. It's much easier to make a turnover of R10 0000 a month at Maponya Mall compared to where I was before in Dube, because here I see many clients."

3 February 2010 – www.businessday.co.za/articles/Content.aspx?id=9274

...the developer behind the R300 million expansion of Liberty Promenade Shopping Centre hopes the work will not only benefit national and local retailers but businesses and residents in the surrounding community. Situated in South Africa's fourth largest township, Mitchell's Plain, the centre has proved an unmitigated success since opening in 2003.

Caswell Rampheri, MD of developer Liberty Property Development, said the addition of some 24 000 m^2 will make Liberty the biggest shopping centre in a previously disadvantaged area in South Africa.

"The new development has been designed with the local community in mind. Our plans demonstrate our commitment to bolster development in the area, be it entrepreneurship or job creation. It will be a requirement for major contractors to include local suppliers in the project wherever possible."

It is believed about 33% of the project's current workforce come from Mitchell's Plain, Khayelitsha and Phillipi. Among the retailers to benefit from the expansion will be small business traders, who will be able to sell their goods from purpose-built units close to the main entrance.

1 February 2010 – www.bus-ex.com/article/liberty-promenade-shopping-centre

supply-side trends



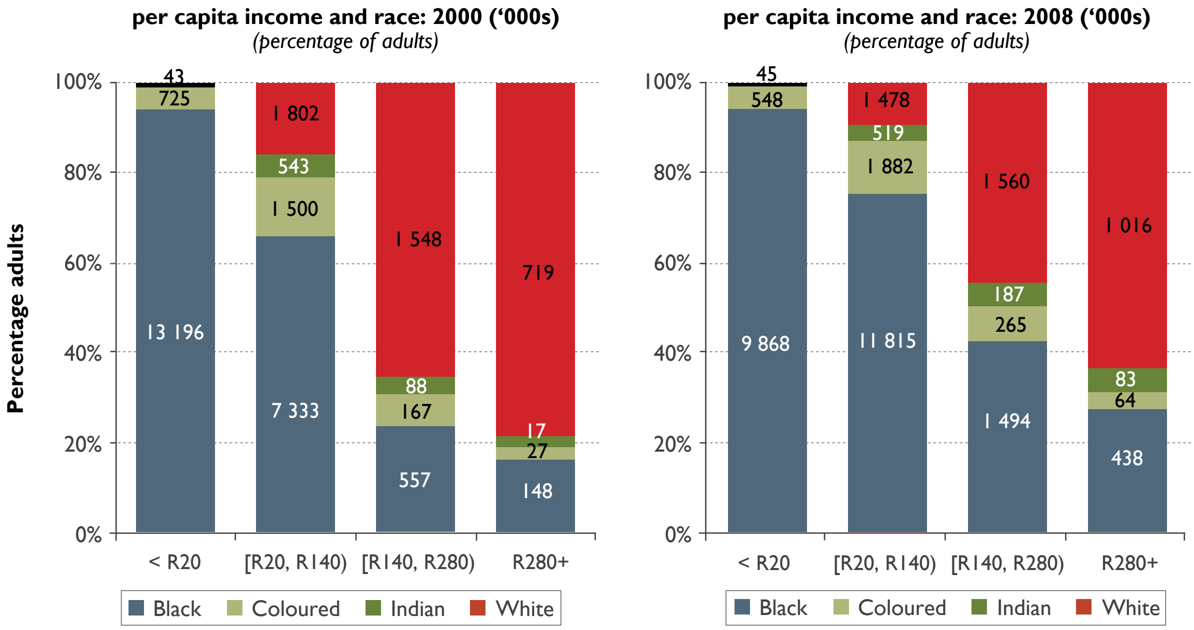
changes in the consumer landscape

increases in income and living standards mean expenditure and shopping patterns change

the research report upon which this resource is based, called *Impact of Township Shopping Centres: Market Research Findings and Recommendations*, by Demacon Market Studies, is available at www.urbanlandmark.org.za.

Between 2000 and 2008, there has been an upward movement amongst black South Africans in terms of per capita income – with average income increasing by 180% over the decade since 1998 – and in terms of movement into higher tiers of the economic pyramid. It is anticipated that this rising middle-income segment will increase to about 22 million people over the next 20 years.

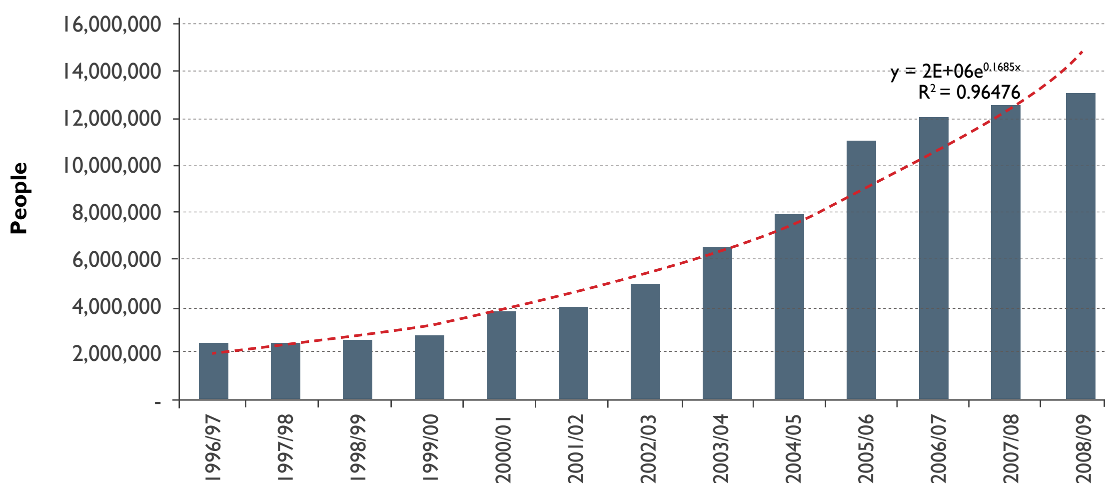
In addition, social grants, which represent a major monthly income source for more than 12 million people, have been playing an increasingly important role in reducing poverty and inequality in South Africa since 2000.The social security system has stimulated the upward movement of about 500 000 households from the bottom to higher tiers of the economic pyramid. For example, in 2009, social grants reduced the number of households that make up *figure 1: per capita income per day and race: 2000 and 2008*



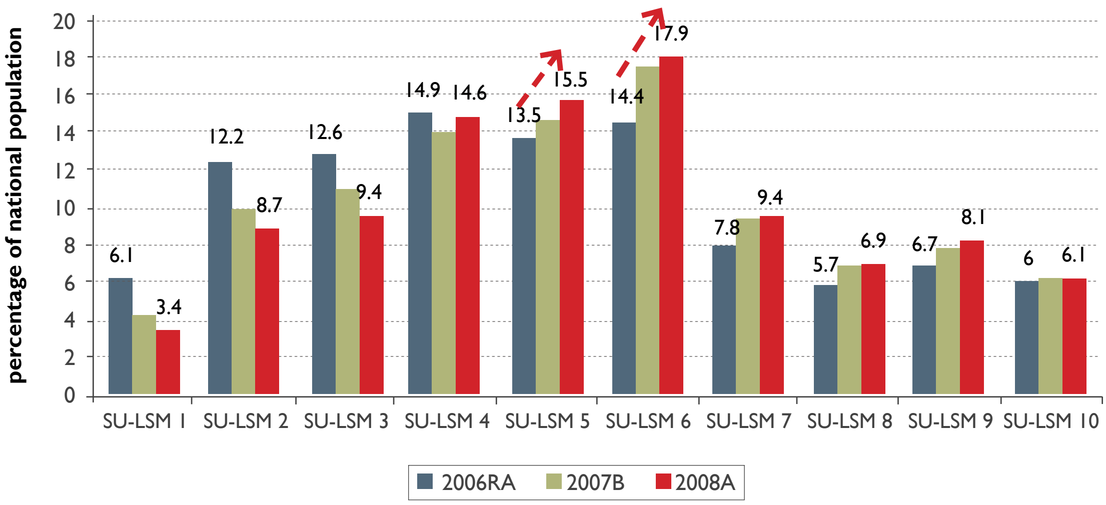
source: Demacon ex-Eighty20, 2009
data based on All Media and Products Study (AMPS®), 2000 and 2008
midpoints of household monthly income bands used as average household income in calculation of per capita income
important note: household monthly income band sizes are not exactly the same in AMPS 2000 and 2008 – the data are therefore not directly comparable; 2000 income values are inflated to 2008 values using CPIX

the lowest layer of the income per capita grouping – those earning less than R20 per day – from 5.3 million households to 4.4 million households. Further, the March 2008 Income and Expenditure Survey (IES) showed that just more than 64% of the estimated annual gross income of all South Africans in 2005/06 came from work activities – the remainder, over one-third, was from social grants and other income. So even though 18 million South Africans still live on less than R20/day, a noticeable and relatively stable shift has occurred in the economic pyramid. This has resulted in an upward movement along the national living standards profile between 2006 and 2008, as measured by the Living Standards Measure (LSM).

figure 2: growth in social grant recipients: 1996-2009



source: Demacon ex-South African Social Security Agency (SASSA), 2008/09, Annual Statistical Report on Social Grants *figure 3: LSM trends, 2006-2008*



note: RA, B and A refer to the specific SAARF AMPS® data sets used in the compilation of LSM trends

The shift of large numbers of people up the income scale is creating a change in the country's consumer base. This positive trend, supported by the impact of social grants, has increased the financial stability within previously less well-off consumer environments, which now appear more resilient to economic changes.

The improvement in the national consumer landscape – with the emphasis on an emerging black middle class that since 1994 has grown at about 50% per year and now makes up 59% of South Africa's middle-income group – of which about 53% live in townships – has resulted in higher levels of retail demand within previously disadvantaged areas.

And although a relatively large portion (47%) of this market segment now live in suburbs, they maintain strong linkages with the townships – which further increases such demand.

When the national LSM profile is combined with retail demand densities to indicate potential areas for retail investment, we see that although, and as we would expect, retail demand density is highest in the traditional economic nodes within South Africa's provinces, high retail demand densities are also found in rural and township areas.

This reflects scope for retail investment in most of the provinces' 'emerging economy' areas.

The economic and social upward mobility of black South Africans is further evidenced by spending power. That of the black middle class – excluding access to credit – stands at R180 billion a year, representing 26% of the country's total spending power.

the South African Advertising Research Foundation's (SAARF) Living Standards Measure is an internationally recognised instrument designed to profile a market along a continuum of progressively more developed and sophisticated market segments.

it groups consumers according to their standard of living, using criteria such as degree of urbanisation and ownership of assets (mainly luxury goods such as cars, and major appliances).

The March 2008 IES shows that between 2000 and 2005/06, black households' share of consumption expenditure rose from 42.9% to 44.3%.

During this period, expectations, demands and shopping preferences have also changed. The middle-income market segment has a strong drive to acquire household appliances, cars and aspirational assets. In addition, changing lifestyles are resulting in higher frequency visits to retail centres and smaller shopping baskets per visit – which in turn result in higher demand for, and greater variety of, convenience centres.

Progressively more well-off consumers are increasingly seeking a 'shopping experience' rather than visiting stores to buy only basic essentials.

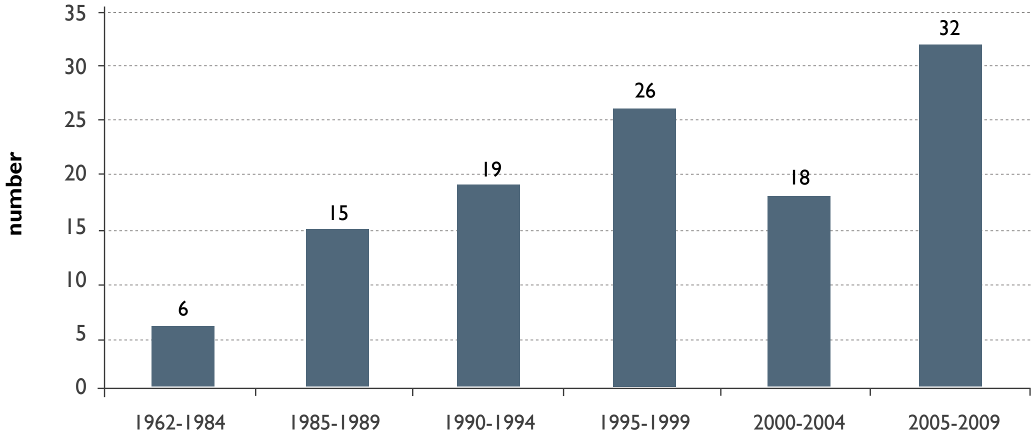
changes in the actual supply of retail centres in 'emerging economy' areas

Turning now to the development trends around retail supply within 'emerging economy' areas of South Africa, we describe the changes which have occurred between 1962 and 2009 – both nationally and provincially.

national development trends for 'emerging economy' retail centres

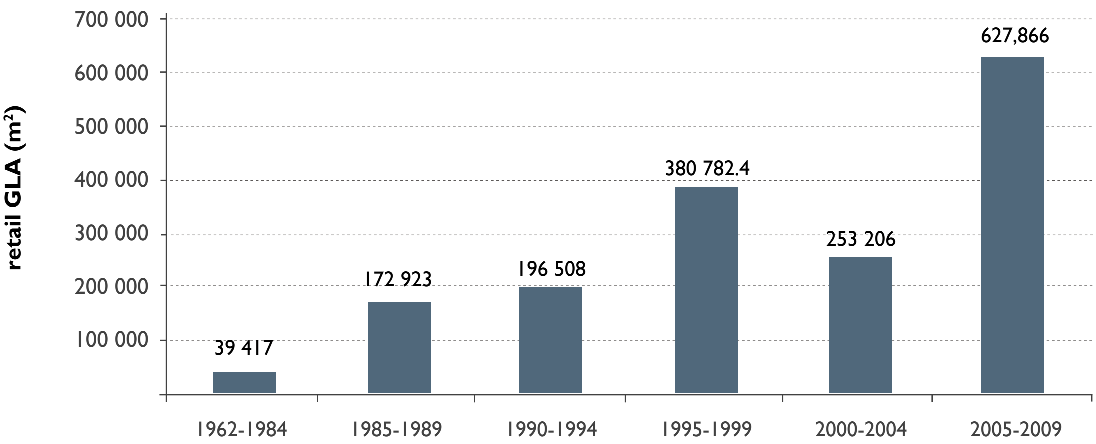
Nationally, between 1962 and 2009, 160 retail centres[2] have been developed in 'emerging economy' areas – both in township and rural areas – constituting about 2 million m^2 of retail floor space. 35.1% of these centres were developed pre-1994, while 64.9% were developed post-1994.

figure 4: number of retail centres developed in 'emerging economy' areas: 1962-2009



The majority (75.5%) of total retail floor space was developed post-1994, especially in the 1995-1999 period, with 22.8% of total retail floor space developed, and between 2005 and 2009, when 37.6% of such space was developed.

figure 5: total retail floor space developed in 'emerging economy' areas: 1962-2009



[2] *Only 117 of these retail centres (representing about 1.6 million m^2 of retail floor space) are used to discuss the national development trends detailed here, as these are addressed in terms of time line trends and development dates could not be obtained for the remaining 43 centres.*

Over the 1962-2009 period, the average size of retail centres increased from a mere 6 500 m^2 to nearly 20 000 m^2 gross lettable area (GLA), with the smallest retail centres increasing from 2 200 m^2 to 4 300 m^2 retail GLA, and the largest retail centres increasing from about 11 000 m^2 to an impressive 65 000 m^2 retail GLA.

figure 6: average size of retail centres in 'emerging economy' areas: 1962-2009

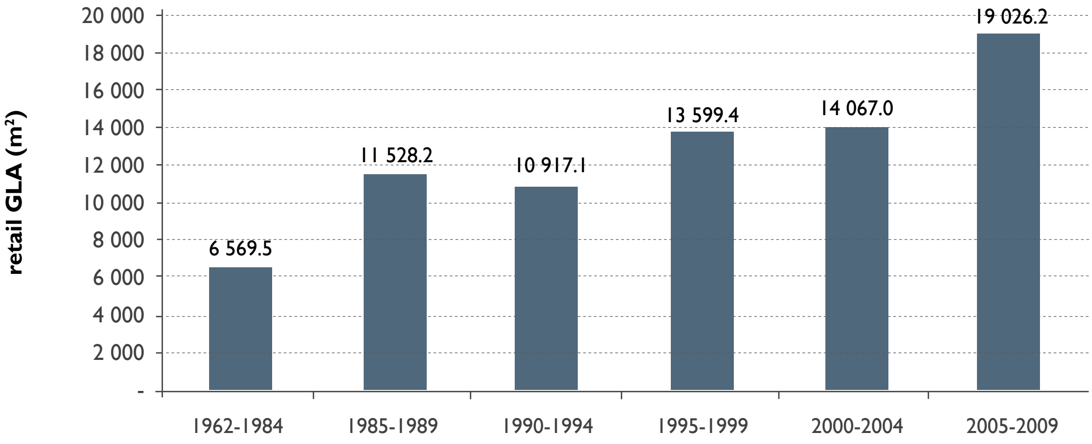
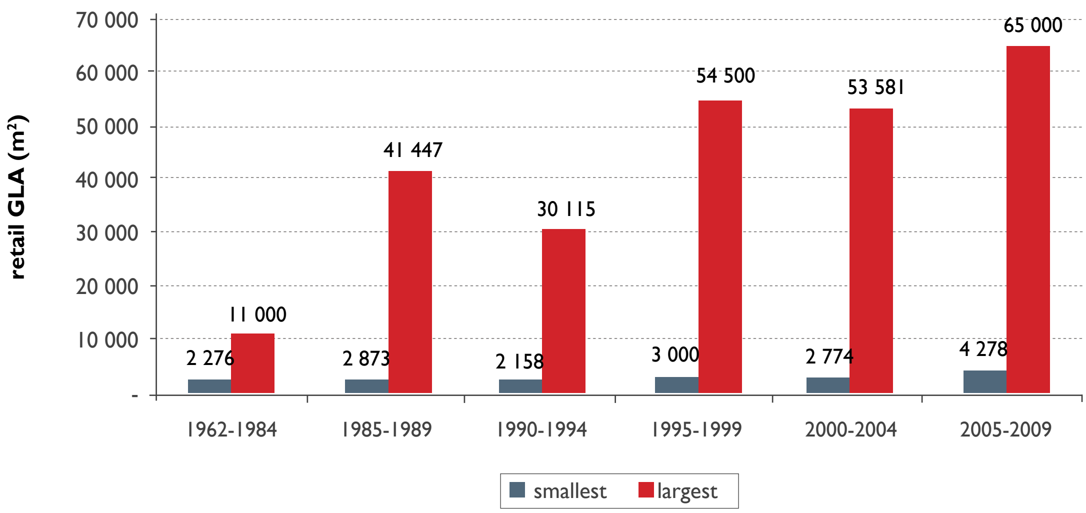


figure 7: smallest versus largest retail centres in 'emerging economy' areas: 1962-2009



Pre-1990, mostly local convenience and neighbourhood centres were developed. Post-1990, a stronger trend of building community centres developed, while regional centres became part of the mix post-1994. (See table 1 for a classification of the different types of shopping centres, while figures 8 and 9 detail the periods during which different types of centres were mostly developed.)

table 1: shopping centre hierarchy[3] - classifying different types of centres and their defining elements

type & example	defining elements	size, no of shops, main tenant type
regional centre Maponya Mall, Soweto, Gauteng	*trade area* large region of city / whole city *access requirements* major arterial road, usually a provincial main road linking to a national road *no. of households and socioeconomic groups* 28 600 - 57 150; all - LSM 4-10 *average radius* 8 km *median travel time* 14-20 minutes	± 50 000 m^2 - 100 000 m^2 150 - 250 stores large supermarket / hyper 2 or more large clothing anchors small clothing or boutiques entertainment, restaurants services convenience
minor regional centre Liberty Promenade, Khayelitsha, Western Cape Jabulani Mall, Soweto, Gauteng Central City, Mabopane, Gauteng	*trade area* specific sub-region of city (can be large, self-contained community, e.g. Chatsworth) *access requirements* major suburban arterial road linking to provincial highway *no. of households and socioeconomic groups* 17 800 - 35 700; all - LSM 4-10 *average radius* 5 km *median travel time* 10-16 minutes	± 25 000 m^2 - 50 000 m^2 75 - 150 stores large supermarket 1 or 2 large clothing anchors strong national tenant comparison goods component boutiques restaurants entertainment services
community centre Thula Plaza, Bushbuckridge, Mpumalanga Soshanguve Plaza, Soshanguve, North West Nyanga Junction, Manenberg, Western Cape	*trade area* strategically located to serve suburban community *access requirements* major arterial road *no. of households and socioeconomic groups* 8 500 - 17 800; all - LSM 4-10 *average radius* 3 km *median travel time* 6-14 minutes	± 12 000 m^2 - 25 000 m^2 50 - 100 stores large supermarket convenience small national clothing restaurant and takeaways services
neighbourhood centre Tzaneen Crossing, Tzaneen, Limpopo Lenasia Square, Johannesburg, Gauteng Station Plaza, Mitchell's Plain, Western Cape	*trade area* strategically located for a group of suburbs *access requirements* major collector roads *no. of households and socioeconomic groups* 2 400 - 5 700; all - LSM 4-10 *average radius* 2 km *median travel time* 4-9 minutes	± 5 000 m^2 - 12 000 m^2 25 - 50 stores supermarket convenience some small, specialised stores
local convenience centre Mabopane Sun Plaza, Mabopane, North West Oasis Mall, Tzaneen, Limpopo Meadow Point, Soweto, Gauteng	*trade area* one suburb / parts of a suburb(s) *access requirements:* minor collector road *no. of households and socioeconomic groups* 700 - 3 600; all - LSM 4-10 *average radius* 1.5 km *median travel time* 3 minutes	± 1 000 m^2 - 5 000 m^2 5 - 25 stores supermarket a few convenience stores

[3] *The applicability of this retail hierarchy in 'emerging economy' areas where the market is largely immature is debatable. There are, however, an increasing number of examples of successfully competing developments in 'emerging economy' markets characterised by higher consumer demand thresholds, for instance Soshanguve, Soweto, Orange Farm and Sebokeng, where multiple centres have emerged in recent years and coexist synergistically. These examples mainly represent urban township areas where markets are maturing more rapidly due to a growing middle class and the increased safety net of social grants.*

figure 8: functionality of retail centres in 'emerging economy' areas – number: 1962-2009

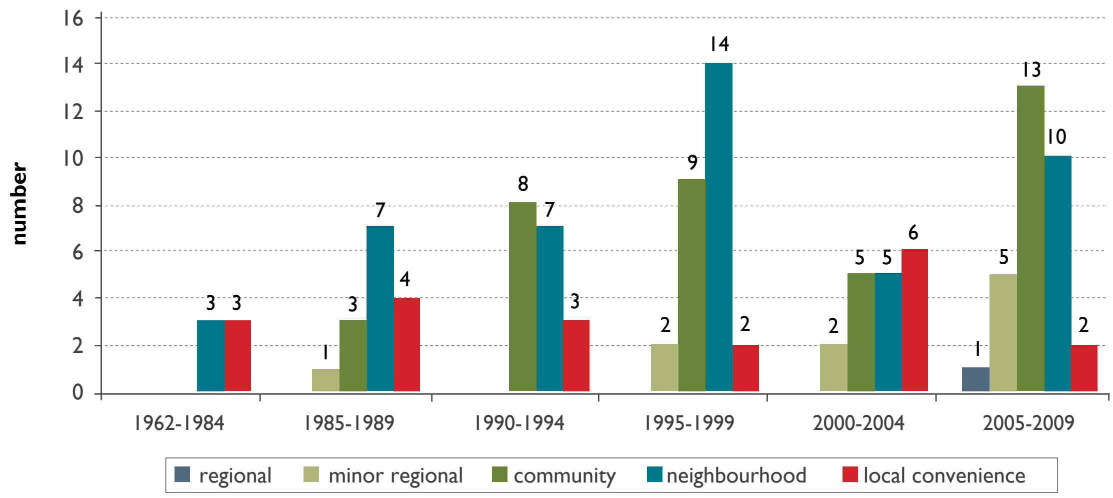
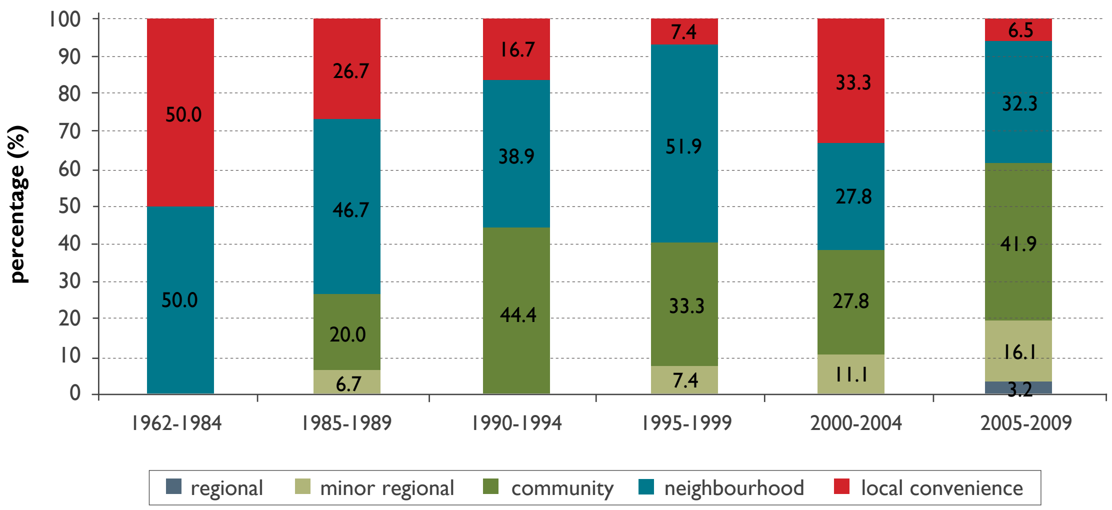


figure 9: functionality of retail centres in 'emerging economy' areas – percentage: 1962-2009



As figure 10 shows, the average number of shops within retail centres developed in 'emerging economy' areas in South Africa between 1962 and 2009 increased to just over 50 during the pre-1994 period, from which it declined to fewer than 45 between 1995 and 1999, rising again to nearly 60 between 2005 and 2009.

The map in figure 11 illustrates the geographic location, total retail floor space and date of development of the main retail centres developed in 'emerging economy' areas in South Africa between 1962 and 2009, while figures 12 and 13 provide a time line of retail centre development in 'emerging economy' areas for the pre-1994 and post-1994 periods, respectively. The 1995-2009 period reflects an increase in both the number and functionality of malls developed, over the earlier period, suggesting a maturing of the retail market.

figure 10: average number of shops in retail centres in 'emerging economy' areas: 1962-2009

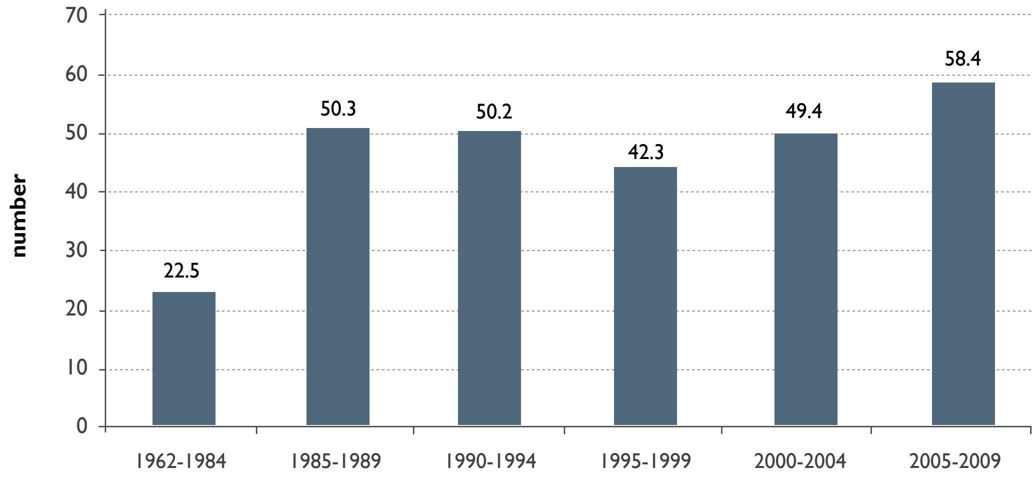


figure 11: main retail centres developed between 1962 and 2009

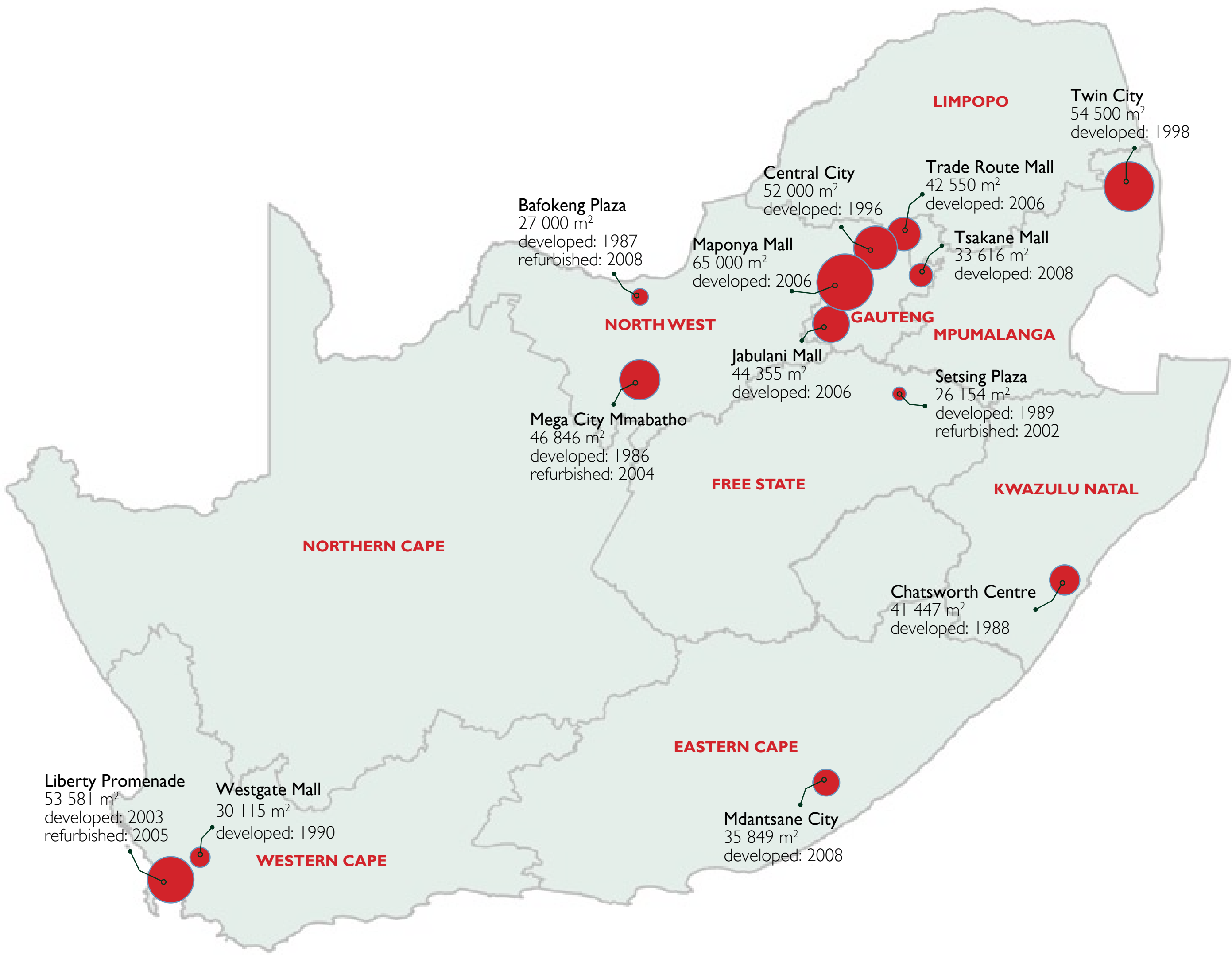


figure 12: retail centre development in 'emerging economy' areas: 1962-1994

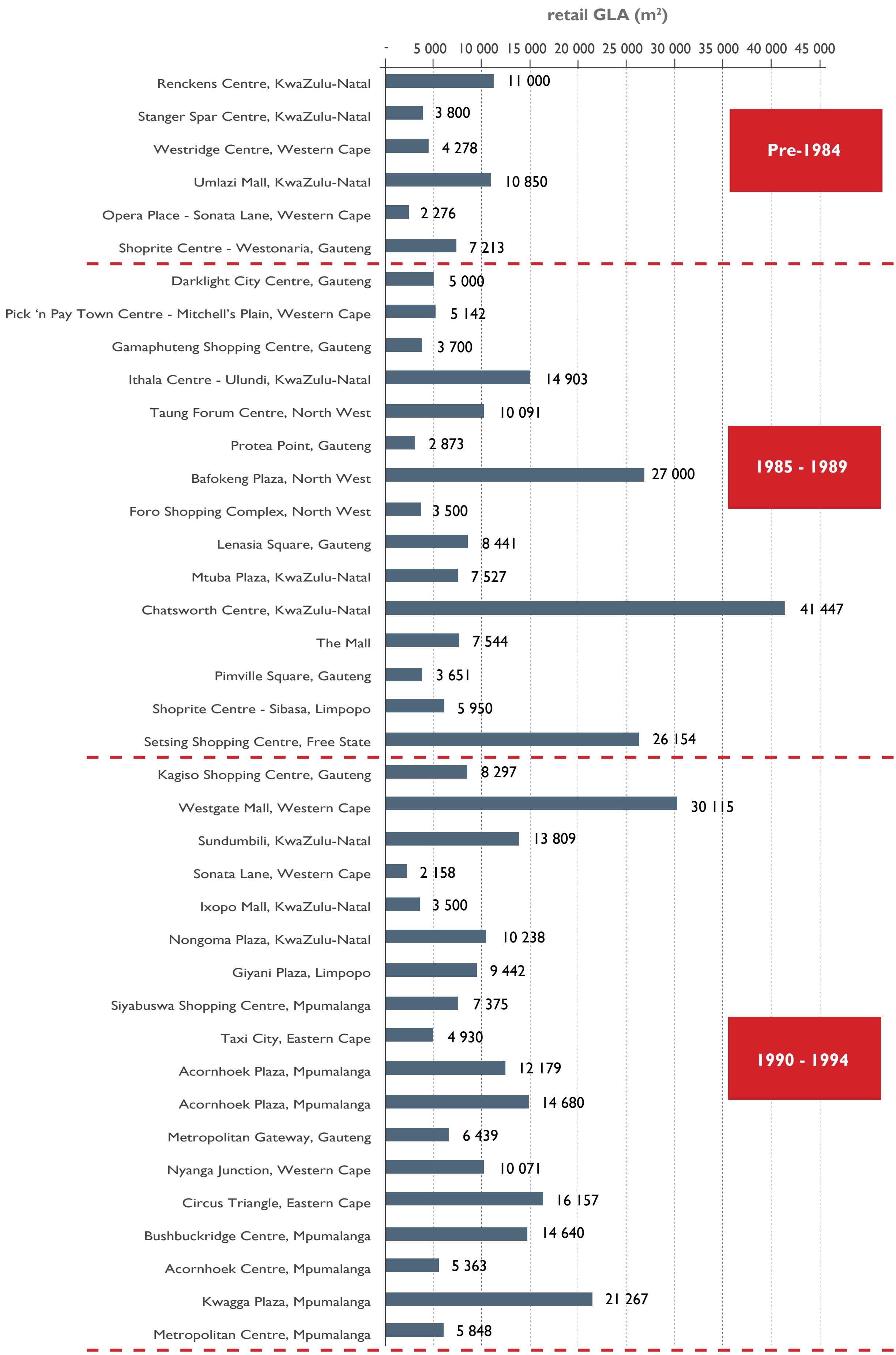
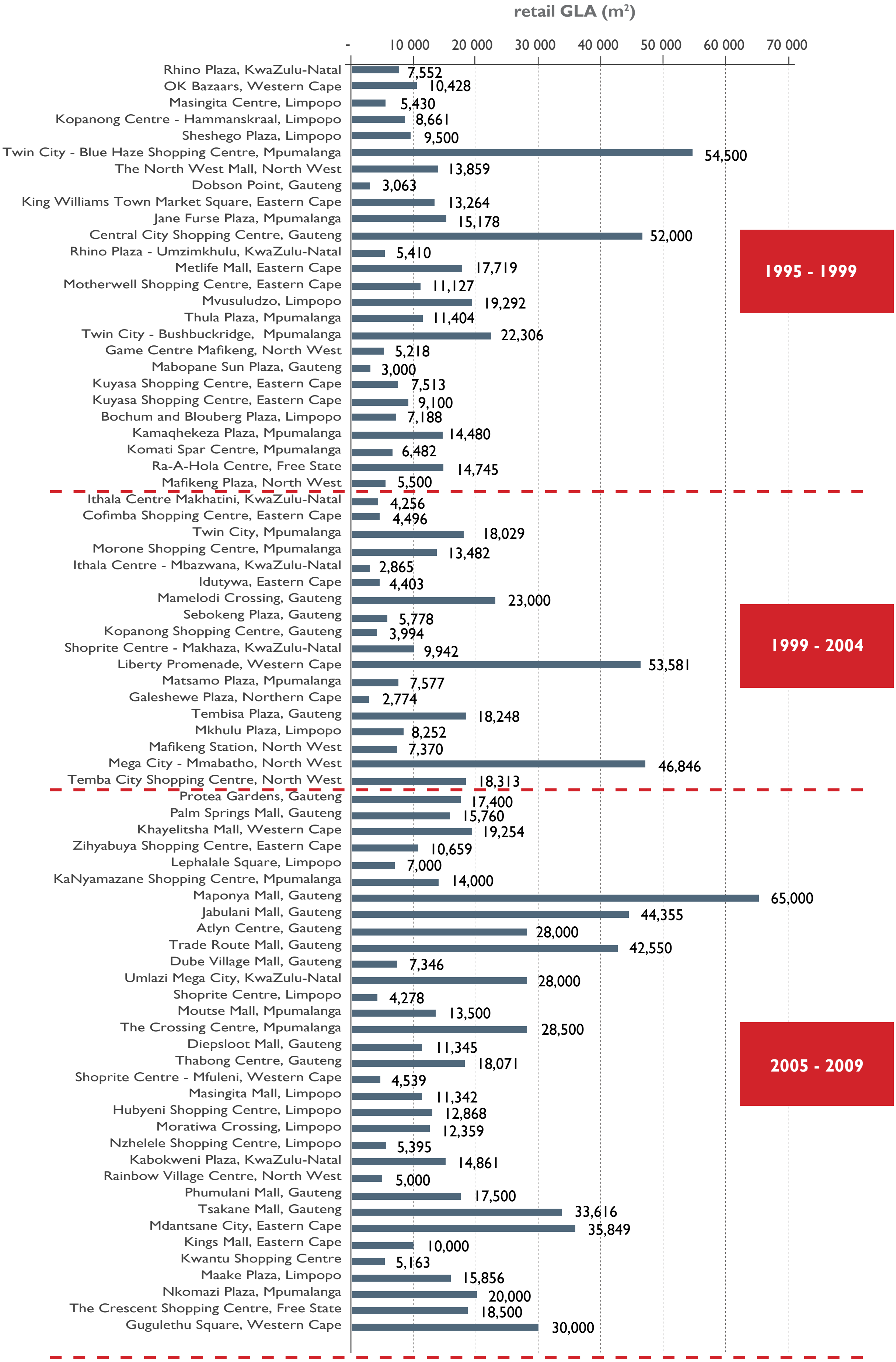


figure 13: retail centre development in 'emerging economy' areas: 1995-2009



provincial development trends for 'emerging economy' retail centres

The following figures illustrate the trends for retail centre development in 'emerging economy' areas in South Africa between 1962 and 2009, on a provincial basis.

The first 'emerging economy' retail centres were developed in KwaZulu-Natal in 1962, followed by the Western Cape in 1978 and Gauteng in 1984. North West Province saw its first retail centre development in 1986, followed by the Eastern Cape in 1988 and Limpopo Province and the Free State both in 1989. Mpumalanga, in 1992, had the most recent development.

At 32, Gauteng has the highest number of retail centres in 'emerging economy' areas, followed closely by KwaZulu-Natal with 28. Limpopo has 21 centres, the Eastern Cape and Mpumalanga both 18, Limpopo 17 and the Western Cape 15. The Free State has only 5 centres, while no retail developments have taken place in the Northern Cape's 'emerging economy' areas

figure 14: total number of 'emerging economy' retail centres per province

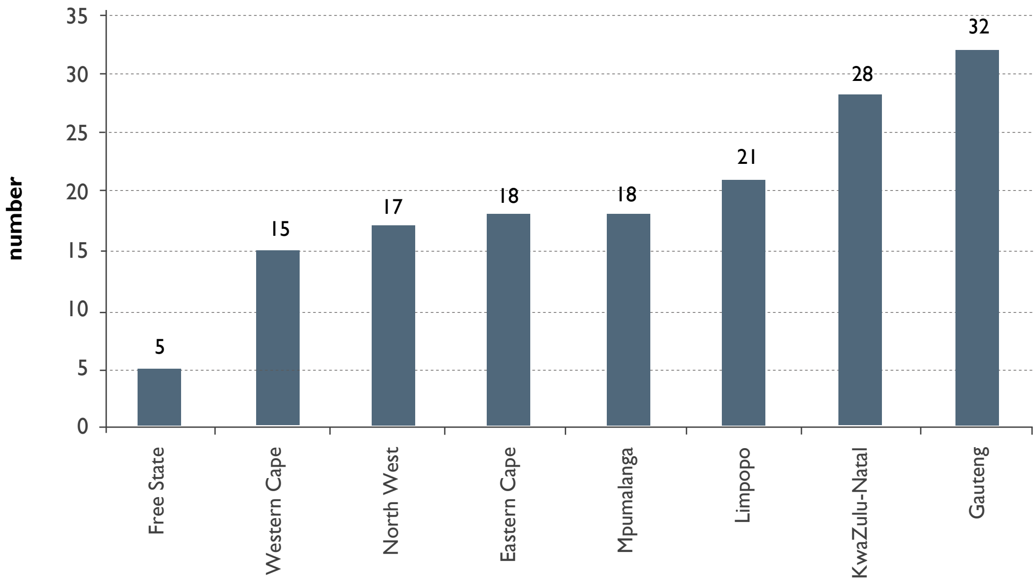
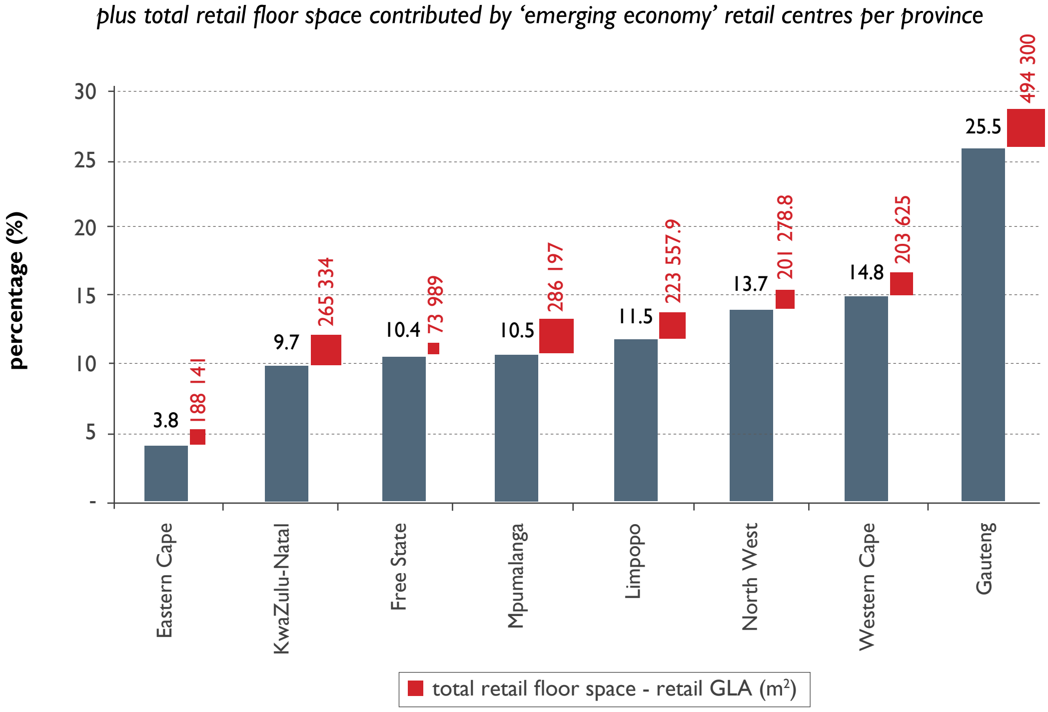


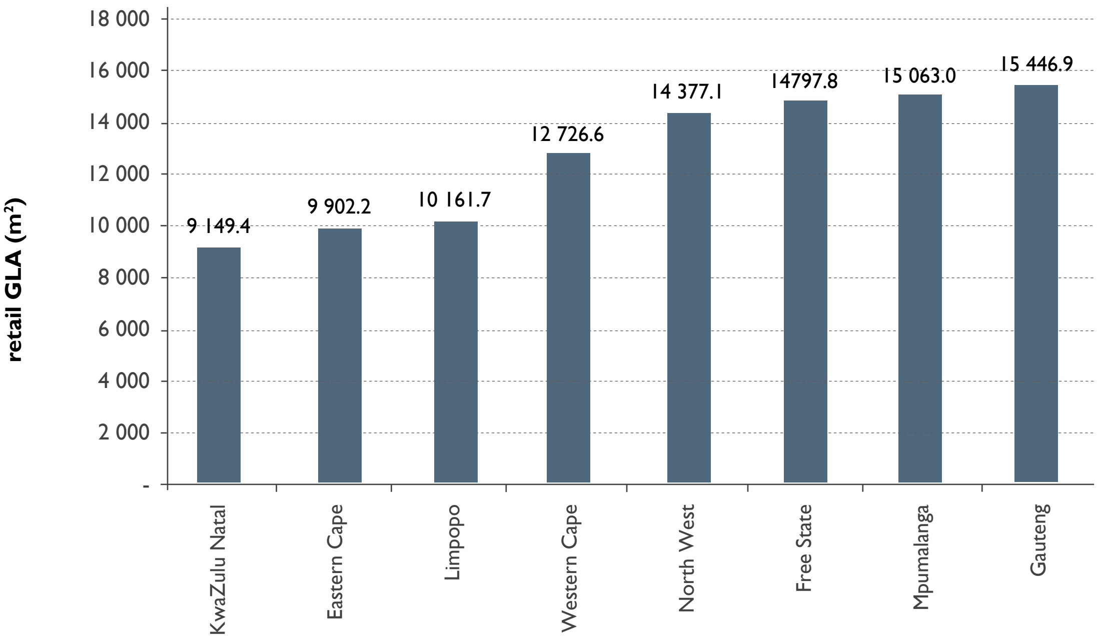
figure 15: percentage provincial contribution to total national retail floor space in 'emerging economy' areas, plus total retail floor space contributed by 'emerging economy' retail centres per province



Where total retail floor space is concerned (see figure 15), Gauteng ranks first, with 494 300 m^2 gross lettable retail area, followed by Mpumalanga with 286 197 m^2 and KwaZulu-Natal with 265 334 m^2. Limpopo has 223 557.9 m^2 retail GLA, the Western Cape 203 625 m^2, North West province 201 278.8 m^2 and the Eastern Cape 188 141 m^2. The Free State exhibits a fairly low figure of 73 989 m^2 retail GLA in its 'emerging economy' areas.

Figure 15 also shows that Gauteng accounts for 25.5% of the total national 'emerging economy' retail floor space, Mpumalanga for 14.3%, North West province for 13.7% and KwaZulu-Natal for 13.2%. Limpopo contributes 11.1% to such retail floor space, while the Western Cape contributes 10.1%, the Eastern Cape 9.4% and the Free State a mere 3.7%.

figure 16: average 'emerging economy' retail centre size per province



In terms of average centre size (see figure 16), Gauteng has the largest average size of almost 15 500 m^2, followed by Mpumalanga with just over 15 000 m^2 and the Free State with just under 15 000 m^2. North West's average centre size is somewhat above 14 000 m^2, while the Western Cape comes in at slightly below 13 000 m^2, and Limpopo at just above and the Eastern Cape at just below 10 000 m^2. KwaZulu-Natal's average centre size is a little over 9 000 m^2.

Figure 17 shows that Gauteng has both the smallest and the largest centre sizes, with 2 000 m^2 and 65 000 m^2 retail GLA, respectively. In general, in South Africa, the smallest shopping centres vary between 2 000 m^2 and 5 848 m^2, while the largest vary between 19 292 m^2 and 65 000 m^2 retail GLA.

From figure 18 it is clear that Gauteng reflects the most diverse functionality – including regional, minor regional, community, neighbourhood and local convenience centres – followed by KwaZulu-Natal, the Western Cape, North West province and Mpumalanga. The Eastern Cape, Limpopo and the Free State reflect less diverse functionality profiles, with only community, neighbourhood and local convenience centres. (Refer to table 1 for a classification of these different types of centres and their defining elements.)

An increase in average retail centre size and more diverse functionality are reflections of the increasing maturity of the retail market, which is a result of the changing size of the economy and demand conditions in each of these areas.

figure 17: smallest versus largest 'emerging economy' retail centres per province

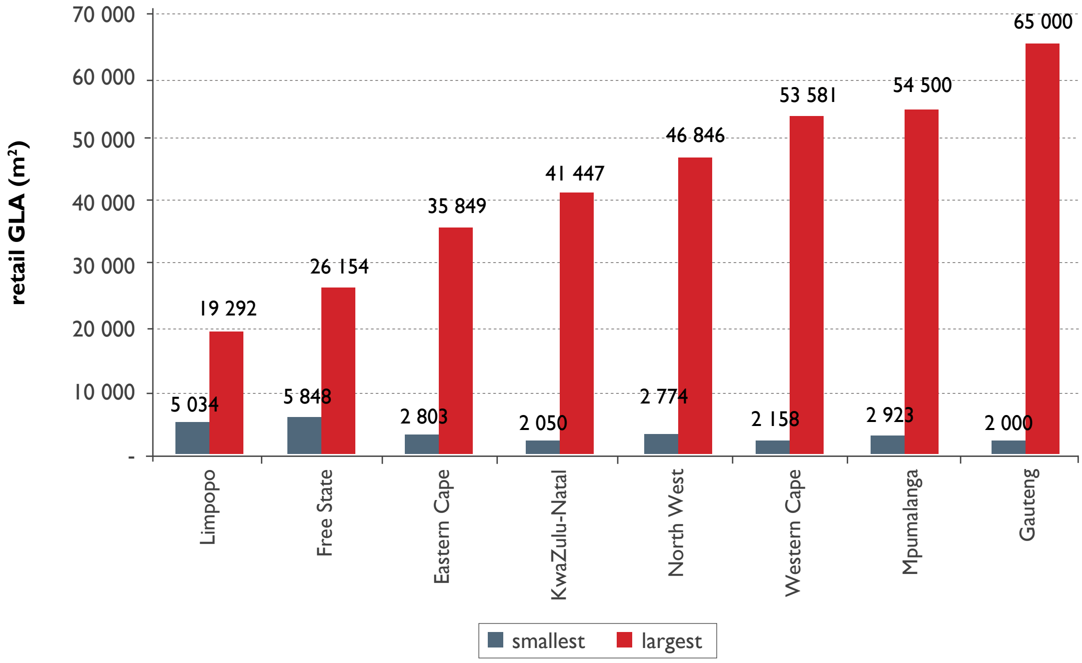


figure 18: functionality of 'emerging economy' retail centres by province: percentage distribution

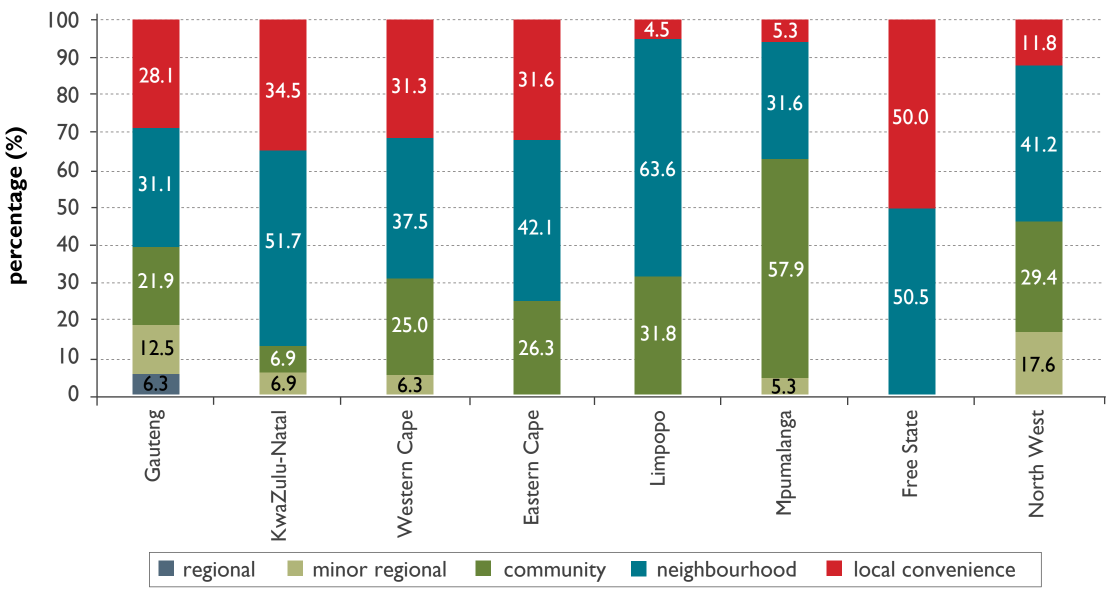


Table 2 illustrates that supermarkets represent the top anchors in 'emerging economy' retail centres in the provinces, except for KwaZulu-Natal, where Ithala Bank is the top anchor, and the Eastern Cape, where it is Pep. Shoprite and Spar supermarket chains dominate, followed by Score and Pick 'n Pay. Pep dominates as the main clothing anchor, followed by Jet and Woolworths.

Ithala Bank, Standard Bank and FNB are amongst the top five anchor tenants in KwaZulu-Natal, the Eastern Cape and Limpopo, respectively, while Boxer and Rhino Cash 'n Carry are also amongst the top five anchor tenants in KwaZulu-Natal and Eastern Cape.

table 2: dominant anchor tenants by province

	Gauteng	KZN	Western Cape	Eastern Cape	Limpopo	Mpuma-langa	Free State	North West
1	**Shoprite** 15.4%	Ithala Bank 12.2%	**Shoprite** 21.9%	Pep 14.1%	**Spar** 12.9%	Score 11.5%	Pep 9.4%	**Shoprite** 18.4%
2	Score 10.3%	Pep 11.3%	Jet 9.4%	**Shoprite** 8.5%	Pep 9.7%	Pep 8.2%	**Shoprite** 9.4%	Score 13.2%
3	Pep 6.4%	**Shoprite** 6.1%	Pep 9.4%	Boxer Cash 'n Carry 5.6%	Jet 8.1%	**Shoprite** 8.2%		**Spar** 10.5%
4	**Spar** 6.4%	**Spar** 6.1%	Pick n Pay 9.4%	**Spar** 5.6%	**Shoprite** 8.1%	**Spar** 8.2%		Edgars 7.9%
5	Woolworths 5.1%	Rhino Cash & Carry 5.2%	Ackermans **Spar** Woolworths 6.3%	Diskom Ellerines Jet Pick n Pay Standard Bank Woolworths 4.2%	FNB Score 6.5%	Edgars 6.6%		Jet 7.0%

general supply trends

There are also some general trends underlying retail centre development in 'emerging economy areas', which further explain the growth of a retail footprint in previously under-serviced areas of South Africa.

emerging retail boom

For more than a decade now, an increasingly strong focus has been placed on the development of high-density commercial nodes in 'emerging economy' areas – predominantly located in areas characterised by high levels of accessibility – which frequently incorporate public transport nodes and stations.

In general, these commercial developments consist of retail centres, supported by office space (private and public sector focus) and community facilities, surrounded by higher density residential developments.

Originally these nodes were strongly based on public sector investment; however, since the late 1990s, private sector-led investment in these nodes has become evident, and South African townships have emerged as the new market for national retailers, especially supermarket chains.

The progressive movement of retailer chains into previously untapped middle- and lower- income markets has resulted in a substantial increase in shopping mall development.

PIC spearheads investments in townships

PIC head of properties Wayne van der Vent says when the PIC started investing in townships in 1997, not much was happening. "In Soweto it is only in the last five to six years that everything started to explode."

The PIC's portfolio consists of 26 retail centres in townships, with 350 000 m^2 GLA. Van der Vent says 11 years ago there was not even 50 000 m^2 GLA in total. This indicates the retail growth taking place in these areas.

However, he emphasises that this phenomenon was largely only true for the retail market, with investment in the office and residential markets limited due to supply and demand aspects.

In addition, Van der Vent notes the importance of government commitment and investment to assist in the development of these 'emerging economy' markets.

source: www.thepropertymag.co.za Township Investments, 2009

This trend emerged as a result of changed perceptions regarding the consumer market in 'emerging economy' areas, with retailers starting to acknowledge after 1994 that consumer expenditure is related to the level of consumer income (LSM profile).

Changes in the general income profile in 'emerging economy' areas have also led to the rise of a prosperous middle class, with high aspirational values and a demand for luxury items.

Due to the high level of developments in the more established middle-income suburbs and the stagnation of these markets, developers started to shift their focus to underdeveloped 'emerging economy' and rural areas.

This resulted in the creation of a retail footprint in previously under-serviced areas, especially townships – a trend which is clearly prompted by burgeoning township economies. The proliferation of retail outlets in townships in the vicinity of South Africa's major towns and cities is proof of this.

The first modern township mall was built in Dobsonville, Soweto, in 1994, for less than R10 million. Since then the rise of township shopping centres has forced marketers to consider them a real force in the retail industry. Shopping centres like Maponya Mall in Soweto[4] are now developed at costs of up to R700 million.

In the townships adjacent to Cape Town one can now find Nyanga Junction Mall, Vangate Mall, Westgate Mall, Mitchell's Plain Town Centre and Khayelitsha Mall.

Durban has Umlazi and Dube Village malls, while Gauteng boasts Maponya Mall, Jabulani Mall, Dobsonville Mall, Protea Gardens and Bara Mall, amongst others.

Areas such as Port Elizabeth's Motherwell township (Motherwell Mall) and Polokwane's Seshego township (Zone 4 Plaza Mall) are all catching up with the trend of mushrooming township malls[5].

The sudden surge of demand for space over the past few years is indicative of how well these centres are trading.

retail centre performance in 'emerging economy' areas

The success of shopping centres in 'emerging economy' areas is evident from their growth in retail sales and trading densities. For example, retailers at Umlazi Mega City in Durban were achieving high turnovers into 2008 despite the series of interest rate hikes implemented during the global economic downturn and the introduction of the National Credit Act in June 2007. Another indication of growth there was evident in the request by the local taxi association for additional rank space[6].

township shopping centres and the global financial crisis

Des de Beer, MD of the Resilient Property Group, says township shopping centres have generally weathered the consumer downturn better than their suburban counterparts.

"However, retail sectors such as some takeaway chains, and stores selling non-essential items, such as homeware and furniture, have taken strain."

Director of Zenprop Adam Blow also says they are satisfied with performance under current economic conditions.

"About 7% of our stores are trading below par – but we are comfortable with this level, since a number of those tenants have never traded in a formal retail environment."

source: Finweek. J Muller. Township trade: pumping or slumping? October 2009

table 3: retail centre performance – Umlazi Mega City, Maponya Mall and Vangate Mall

Umlazi Mega City Umlazi, Durban 35 000 m²	• 17% growth in retail sales between end-2006 and end-2007 • retailers achieving trading densities > R20 000 / m² per year
Maponya Mall Soweto, Johannesburg 66 000 m²	• R80 million turnover / month • R930 million gross turnover for 1st year of operation – only 3% below target
Vangate Mall Athlone, Cape Town 33 000 m²	• average trading density of R27 000 / m² per year; the industry average is R20 000 - R22 000 / m² per year

[4] *Creative Intelligence. The rise of township shopping malls. April 2009.*
[5] *S. Mabotja. Retail footprint: developers are making strides in the townships. May 2008. www.cms.privatelabel.co.za.*
[6] *Eprop. SA Corporate Real Estate Fund. Umlazi residents set to buy 25% stake in township mall. January 2008.*

Retail centres in 'emerging economy' areas are also experiencing an increase in value. Daveyton Mall on the East Rand, for example, saw a value increase from R49 million to over R70 million in just two years.

And it is interesting to note that new retail centres can be developed at yields of between 10% and 11.5% in these 'emerging economy' areas, whereas buying existing stock in suburban areas has become very expensive, with yields generally down to between 7.5% and 9%.

But shopping centre managers have pointed out that it is difficult to generalise about what works best in malls in 'emerging economy' areas – for example, upmarket stores were not necessarily the ones in trouble during the economic downturn. To a great extent, shops offering credit perform better, as do restaurants with liquor licences.

But it is evident that what works in one area does not necessarily work in another – tenant mix, product offering and size have to be very site-specific[7].

Cathy Smith, Walmart's international chief financial officer, says the company has a list of criteria that must be met for it to enter a market.

These include a growing middle class and a market moving from an informal retail environment to a more formal one.

The first evidence of the Walmart effect [in South Africa] will be in food, particularly in Cambridge Food stores.

These stores are located in high-density commuter nodes, such as Baragwanath taxi rank.

The plan is to spend about R1 billion on rolling out these stores.

Once there are 100 stores with sales of R100 billion the next target is 200 stores.

There will be significant future store growth in under-served areas.

source: Walmart spells out how it will get going in SA. Sunday Times, 4 June 2011

national grocers move into 'emerging economy' areas

Pick n Pay has been entering markets where it has not in the past been established under the Pick n Pay brand, by converting Score Stores and opening new stores in greenfield developments.

The retail chain has mainly used the franchise model to create a platform for an owner who is also the operator. Aside from empowerment, this helps in achieving a connection with the community that the store serves.

Pick n Pay now has more than 100 stores in mainly 'emerging economy' areas, and a significant portion of the group's expansion over the next few years will be into similar areas.

Their food offering is tailored to suit local needs, and with good quality and competitive pricing, Pick n Pay outlets are becoming the preferred retail store in these areas[8].

The 2 600 m^2 ***SuperSpar*** anchoring the Philani Mall in Umlazi, Durban, set a national trading record for Spar outlets on its opening day – eclipsing the performance of the Elim Spar in the Hubyeni Shopping Centre[9].

Meanwhile, the 3 000 m^2 Spar in the Umlazi Mega City shopping centre generated a turnover of R850 000 on its opening day. This SuperSpar achieved an average trading density of R23 000 / m^2 since then, which is considerably higher than trading densities usually generated by food retailers in suburban malls.

for the consumer, access to the modern retailing infrastructure of large chain stores means wider choice at lower prices...

Retail analyst at RMB Asset Management Evan Walker says, "Shoprite and Spar are the biggest beneficiaries of having stores positioned in rural areas and townships, which has helped the two groups to gain market share from independent grocers.

"Pick n Pay lost out to Spar and Shoprite while it was transforming its Score supermarkets but not opening any new ones."

source: Shoprite's turnover races 27% higher. January 2009 www.fastmoving.co.za

[7] *According to SA Corporate Retail Estate Fund CEO Craig Ewin.*
[8] *Eprop. C. Bisseker. Retailers' drive into township market threatens spaza shops. September 2006.*
[9] *Eprop. SA Corporate RE. Township Spar sets national opening-day trade record. August. 2008.*

tenant mix shields centres from losses

In general, shopping centres in 'emerging economy' areas are required to include 70% to 75% national tenants and 15% regional tenants, with the remainder being local entrepreneurs.

Within the difficult economic environment of the past couple of years, a lot of churn has taken place amongst small stores over the 18 months to end-2009[10].

Where these stores could not pay their rent, they were encouraged to close down and cut their losses. Despite this movement, retail centres in 'emerging economy' areas have not generally experienced high vacancies.

getting the balance right

James Hower, portfolio manager of the Future Growth Community Property Fund, says despite small stores in township shopping malls showing significant churn, vacancies in the Fund's retail centres have not exceeded 4%.

"The performance of the big national chains has meant the losses incurred due to smaller tenants defaulting on rent have been minimal.

"The stores still deliver returns because most centres include stores that mainly sell basics – such as food, clothing and building supplies."

Hower says retrenchments did not seem to have affected their centres.

"Our shopping centre in Diepsloot, where there is 70% unemployment, has the second-best performing Shoprite in South Africa in terms of turnover growth.

"This could, to an extent, be due to the fact that consumers were not servicing high levels of debt, and to the safety net that social grants provide."

source: Business Report. S. Enslin-Payne. Tenant mix shields CPF's malls. October 2009.

[10] *Business Report. S. Enslin-Payne. Tenant mix shields CPF's malls. October 2009.*

supply-side trends summarised

supply	• **Supply has increased since 1994**, as perceptions about the consumer market in 'emerging economy' areas changed, LSM levels showed an upward trend and existing markets became saturated. • However, the main increase in shopping centre development in 'emerging economy' areas occurred during the decade to 2009. • **Significant developers / investors have moved into these areas**. For example, the Public Investment Corporation has 26 retail centres in 'emerging economy' areas of South Africa, with a GLA of 350 000 m^2. • **New retail centres can be developed at yields of between 10% and 11.5% in 'emerging economy' areas** – buying existing stock in suburban areas has become very expensive, with yields generally down to between 7.5% and 9%.
tenants	• **Shoprite and Spar have been the biggest beneficiaries of having stores positioned in rural areas and townships**, helping these groups gain market share from independent grocers. • Pick n Pay was transforming its Score supermarkets into Pick n Pay stores, but had not opened any new ones, causing it to lose out to Spar and Shoprite. • Centres in 'emerging economy' areas are required to include **70% to 75% national tenants** and 15% regional tenants, with the remainder being local entrepreneurs.

performance	• It is difficult to generalise about what works best in malls in 'emerging economy' areas. And what works in one area does not necessarily work in another. **Tenant mix, product offering and size have to be very site-specific**.
	• **Nationals anchors generally perform well**, with many having above-average turnovers.
	• Overall trading densities for the centres are often good or above average (at R20 000 / m^2 to R30 000 / m^2 per year).
	• However, there appears to have been a lot of **churn of small stores over the two years to 2009**. Retail sectors such as some **takeaway chains and stores selling non-essential items**, such as homeware and furniture, **have struggled**.
	• 'Emerging economy' retail centres have **withstood the economic decline** relatively well, mainly because::
	  ◦ they tended to **focus on selling the basics** (food, clothes, etc.)
	  ◦ **customers** in these areas have disposable income for basic goods
	  ◦ the **social grant system** provided a cushion.
	• Overall **vacancies are reasonable** at between 4% and 8%.

local enterprises	• There has been a **move to create co-operatives**. For example, the African Council of Hawkers and Informal Businesses (Achib) purchases as a single entity on behalf of its 137 000 members. • **Large retail companies are being encouraged to partner with small township players**. • **Brand franchises** such as News Café, Debonairs, Steers, Nando's and Primi Piatti **offer small business people** in townships the **opportunity** to acquire these franchises in township shopping centres. • **Local enterprises' biggest problems** are their lack of business and retail merchandising knowledge, their lack of access to finance and their inability to secure volume discounts from wholesalers.

understanding shopping centre dynamics...

To understand the retail centre model, and therefore some of the patterns emerging from this research, one needs to understand the forces that drive their development.

say you...

- *earn R10 per share per annum and the share price = R100*
- *the P/E ratio = R100/10, or 1:10*
- *so, it would take you 10 years to get your money back*

As an investor, you need to decide whether this is acceptable to you from a **risk point of view**. The less risky a company – how likely it is to continue to operate profitably – the longer you would be prepared to wait to get your investment back, and the higher the P/E ratio you would be prepared to accept.

This section looks at the logic and drivers of each of the role-players involved in the development of a shopping centre.

investor position: retailers and shareholders

The objective of a company is to create value for its shareholders.

A common way for investors to assess a company is through the analysis of its price/earnings (P/E) ratio – how much an investor is prepared to pay for the net income (funds earned from sales less costs) generated by the company.

now, say you...

buy the same share for R100 and earnings / share p.a. = R10

you would earn a return of about:

	R10
divided by	R100
multiplied by	100
equals	**10%**

the P/E ratio is 1:10

if the company should increase its earnings to R14 / share by increasing sales or decreasing costs

you would earn a return of about:

	R14
divided by	R100
multiplied by	100
equals	**14%**

the P/E ratio would be 1:7

Particular company types have a certain risk profile and corresponding P/E ratio – South African **retailers have average P/E ratios of around 1:17**.

Value is created for a shareholder by increasing the share price. Share prices increase when there is increased demand for the share by investors. Investors will demand a share when they expect a company's earnings to increase.

A company's earnings are calculated as:

	amount earned from sales
minus	the cost of buying the goods
minus	operating costs (staff, paying rent, electricity, etc.)
minus	other costs (debt, tax, etc.)
equals	**net earnings**

a key way to increase a company's earnings is to increase its turnover by expanding its operations

Earnings can therefore grow by either increasing the number of sales or decreasing the costs associated with selling the good. For example –

	net earnings	**R10 000 000**
divided by	the number of shares in circulation	1 000 000
equals	**earnings per share**	**R10**

If a P/E ratio of 1:10 is an acceptable risk profile…

- but the new P/E ratio is 1:7, as a result of the earnings growth to R14, many investors will want to buy the share
- therefore, as more investors bid for the share, the share price will increase
- as a result, companies are always under pressure to increase their earnings.

The following quote from the Edcon 2010 annual report highlights this point:

"One of our key business strategies is to expand our base of retail stores. If we are unable to implement this strategy, our ability to increase our sales, profitability and cash flow could be impaired. To the extent that we are unable to open... new stores profitably, our sales growth would come only from increases in same-store sales.

We may be unable to implement our strategy if we cannot identify suitable sites for stores, negotiate acceptable leases, access sufficient capital to support store growth, or hire... a sufficient number of new employees."

Retail investors are the drivers of centre building; this explains why we have as many centres as we do. Their objective? To increase their shareholders' wealth by growing the value of the share price – by growing turnover and rolling out more stores. This process is not without its risks, as a proportion of centres do not achieve the planned yields in the short to medium term, and sometimes not even in the longer term.

investor position: property

Investors want to invest in property for a number of reasons –

i. not putting all eggs into one basket

To spread their risk, investors usually want to invest in a number (portfolio) of different types of investments (asset classes). Investors will therefore usually invest in equities (company shares), bonds, property and cash, as each investment type performs differently.

example...

when bonds do well, equities may be down, and vice versa. the result? the average performance of the portfolio remains relatively stable.

ii. low-risk investments generate a stable, predictable income

Property is a relatively low-risk investment. The fairly predictable income (a percentage of which is distributed to shareholders) comes about because the income is generated from leases that have payments and escalations that are fixed for relatively long periods (1-10 years). This characteristic of property is particularly appealing to institutions, such as pension funds, that have to make set payments.

iii. investing in a good inflation hedge

Because it takes a long time for new property stock to be built and building costs increase over time, the value of existing properties tend to increase in value over time, which, in turn, counters the impact of inflation.

developer position

Broadly, developers require three things to develop a shopping centre –

land
Developers look for accessible, serviced land (it has existing infrastructure) that is unencumbered by physical restraints (e.g. prohibitive geo-technical constraints, such as a slope) and legal restraints (zoning, environmental or title deed restrictions), at a price that makes development feasible.

finance
At about R20 000 / m², shopping centres are expensive to build, and no income is earned by the developer before the shopping centre is completed and has been rented out. As a result, developers usually need short-term (two years) finance to fund the cost of the development.

buyers
Developers usually do not build shopping centres to hold on to them; their intention is to 'on-sell' them to long-term investors such as pension funds. However, such investors will only purchase a centre if it is viewed as likely to be viable and successful over the long term.

say the following...

- *cost to build a centre = R500 000 000*
- *rental income minus costs incurred in year 1 = R 60 000 000*
- **development yield = 12%**

	R60 000 000
divided by	R500 000 000
multiplied by	100
equals	**12%**

- *if the developer sells the centre for R670 000 000*
- *the purchaser would have bought the centre on an* **investment yield = 9%**

	R60 000 000
divided by	R670 000 000
multiplied by	100
equals	**9%**

note: the investor is willing to purchase the centre at a lower return (yield) as the risk is less – the centre has been completed, tenants have been signed up and an income is being generated.

Developers therefore have to attract and sign leases with reputable and profitable tenants, who, in turn, require that the centre is well-located and -managed.

When selling a centre, the developer attempts to make a return by maximising the difference between the **development yield** and the **investment yield**.

The development yield is the first-year net income generated by the centre, divided by the cost of its development. The investment yield is the first-year net income divided by the price paid for the centre.

financier position

Providing finance to a developer to build a shopping centre is a risky business for banks. There is a chance that the shopping centre may never be completed, and there is no guarantee that the shopping centre will generate enough income to pay back the loan. Due to the different associated risks, financiers will provide short- and long-term finance on the following conditions:

short-term finance

- *At a particular loan to value* (LTV): banks will only partially finance the development (say, 70%); the developer has to put in the other 30% from their own sources.
- *Registering a mortgage bond over the property*: this allows the bank to lay claim to the property if the loan is not repaid. Ideally therefore, the developer needs to be the owner of the land in order for it to be able to give permission to the bank to register the mortgage bond.
- *Restricting the loan period to 1 to 2 years*: this puts the developer under pressure to complete the shopping centre, fill it with tenants and on-sell it so that it can repay the loan at the end of the loan period.
- *Charging a higher interest rate* due to the high risk over this period.
- *Dispersing the loan in tranches as the shopping centre is developed*. Interest will be charged on all funds as and when they are dispersed. However, the interest may be capitalised (added to the loan amount) so that it only has to be paid back at the end of the loan period. While this assists the developer – since they are not earning any income during the construction phase – interest has to be paid on the capitalised amount as well, and the developer will have to pay back a greater amount at the end of the loan period. So, the longer the developer takes to repay the loan, the more they have to pay in the end, which can result in a feasible development becoming a non-viable development.
- *Requiring that a certain percentage (normally 60%-80%) of the centre is pre-let before construction starts*: this is to ensure that the developer will be able to repay the loan and to test that there is a demand for the centre. In addition to the pre-let requirement, the space must usually be pre-let to national and regional tenants.

long-term finance

- *Setting similar conditions to an investor who wants to purchase a retail centre once it has been constructed*. Banks that lend funds to an investor to purchase a centre once it has been constructed will set the same letting requirements as above. However, because the centre would have been completed and tenanted, the interest rate charged will usually be less, the loan-to-value greater and the loan period longer (5-10 years).

tenants

Tenants always have to try to maintain or capture market share from their competitors. To remain viable, retailers need a minimum turnover – they have to sell a certain amount of goods. As a result, they require a minimum amount of income to be spent by shoppers on a particular good. The higher the spending power of the consumer, the more of a good can be sold and the more space built or allocated to sell such goods. The spending power a shop can capture relies on a number of things, including –

- The number of people with reasonable access to the centre (trade area).
- The amount of disposable income – the money available after other household expenses such as rent, transport and school fees have been paid – which depends on the level of income that people earn.
- The percentage of disposable income spent on each good – which depends on the consumer's personal circumstances (including age and family size) and tastes.
- The level of competition in the same trade area posed by other centres offering the same goods.
- Drawing power: usually, the bigger the centre and the greater the number of shops, the greater a centre's pulling power. But other factors – accessibility, safety, age and quality of the centre can also be important factors influencing its pulling power.

why do tenants like being located in shopping centres?

availability of space

many retailers require large spaces (often > 1 000 m^2) not available on the high street[11].

availability of services and specialised space

many retailers require specialised space such as refrigeration rooms & dedicated loading areas.

high visibility and access locations

the size of a retail centre means that it can often out-compete other users for the 'prime' spots in an area that have the greatest exposure and levels of passing traffic.

parking

shopping centres need large parking areas, which often cannot be found on the high street and in central business areas.

management

retailers want to focus on their core business of selling and not on property management issues, such as maintenance, security and cleaning.

agglomeration effect

by renting in a centre, retailers 'buy' into the increased drawing power that results from a particular tenant mix. Thus, by renting in a centre, retailers benefit from a 'package of features' where the 'whole is greater than the sum of its parts'.

national tenants, like Pick n Pay, Woolworths and Edgars, are retailers with a national exposure – they have shops in other centres and regions.

they act as anchors – they are the ones that help to pull shoppers to the centre.

moreover, they pose lower risk as tenants than niche stores; even if their particular store in the centre underperforms, they are always able to pay their rent, as they are earning income from other stores in the chain.

[11] *High street – a traditional shopping street made up of individual shops with street frontage.*

centre owners

The aim of any centre owner is to maximise returns by maximising income and reducing costs. To maximise income, the centre owner has to strike a balance between maximising the rentals they charge and keeping the tenant in business. The amount of rent an owner can charge depends on the amount of gross profit[12] a particular type of retailer makes. If a retailer's gross profit is large, there is more money available to pay rent and the owner can charge a higher amount.

how it works...

- *a large grocer like Pick n Pay may make a profit of ± 18%*
- *fashion clothing & jewellery retailers like Foschini or American Swiss may make a profit of between 200% and 300%*

The grocer will therefore –

- *have less available to pay towards rental*
- *have to sell a greater volume of goods than other types of retailers*

This means the grocer will –

- *require greater space*
- *have to pay less per m^2*

For space in the shopping centre

- *the grocer will pay about R40-60 / m^2*
- *the clothing retailer will pay about R250 / m^2*

However, national grocers like Pick n Pay also pay lower rentals because they are in a position to negotiate lower rentals – they know the centre owners need them to attract customers and to satisfy the bank's lending conditions.

On the one hand, the centre owner needs to accommodate a large number of national retailers at lower rentals to ensure customers are attracted to the centre and the bank's requirements are satisfied.

On the other hand, the owner needs to accommodate many smaller, specialist shops that generate high gross profits and can pay higher rentals.

Unlike other property types, retail property is unique in that the property owner shares in a percentage of the profit made by the retailer.

This is done through 'turnover' clauses in the leases where the retailer pays a percentage of its turnover to the owner as rent.

The percentage of the turnover that the owner can take as rent will vary depending on what each retail type can afford to pay, which in turn will depend on what the gross profit margins are for that particular type.

The owner of a centre is therefore greatly incentivised to ensure that the centre tenants are successful and will spend a lot of time marketing and promoting the centre.

when is a shopping centre viable & who is able to rent?

currently, a shopping centre has to generate an average rental of about R120 / m^2 to ensure adequate returns are made.

- *if 70% of a centre's tenants pay R60 / m^2*
- *30% of tenants must pay, on average, R260 / m^2*

this may make it difficult for a local trader to occupy space in a centre as they may not be able to afford such high rentals.

One of the key ways that an owner ensures the success of the centre is by installing the right tenant mix. Most customers want to compare goods before they purchase an item and will therefore go to a centre where they can compare styles and prices as easily as possible. Therefore centre owners will often cluster similar shops together.

Another retail principle is that some shops complement each other – they 'feed off each other' – like the coffee shop or bookshop next to the cinema. In other words, a person would not go all the way to a retail centre for a cup of coffee but will happily have one before the start of a movie.

As a result, a centre owner needs to allocate a lot of time and thought to placing the right tenant in a particular location within the centre to maximise the sales that tenant can make.

[12] Gross profit equals the price of the good less the cost to produce the good. From the gross profit, the business owner must still pay wages, rent, marketing costs, etc.

consumers

In a nutshell, consumers will go elsewhere if they cannot find what they want at a particular shopping centre, for good value for money, good access and within reasonable distance from where they live. However, consumers do not only go to shopping centres to purchase goods but also for the 'experience', to meet people and to be entertained. To be successful, shopping centres have to provide a safe, convenient environment that provides a shopping and entertainment experience.

alternative retail models?

The application of the 'traditional' retail business model has resulted in a dramatic increase in shopping centres in 'emerging economy' areas in the last decade or so, with huge growth in floor space and larger size centres as confidence and buying power increased.

However, is this the best model for market development in these areas, and does this model act as a catalyst for further economic development there?

Are there other retail models that could be considered in pursuit of a broader development agenda, including 'high street' developments, the so-called 'chaos precincts' (small, highly compact retail areas), hybrids between formal and informal, or retail centres as community centres that are not characterised by national anchor tenants?

And is this model open to the incorporation of alternative models and to finding ways to accommodate people along the continuum, from survivalist to entrepreneurial and growing small business activities?

Based on this section on understanding shopping centre dynamics and the forces that drive their development, we invite you, the reader, to review the case study findings described in the next sections against these questions.

So, is the current dominant design model the best one to achieve not only investment by the private sector but also, at the same time, without undermining this, other social outcomes, such as the inclusion of local interests? Let us try to find out.

more is more...

a retail centre with five shoe shops is likely to attract more shoe-buying customers than a centre with one shoe shop, even if those shops compete with one another.

it is better to attract a potential customer to the centre in the first place and then let the stores compete with one another.

customers will frequent a centre where they have the highest chance of finding their preferred style or brand, at a particular price.

case study selection and methodology


approach to the project

case study selection

Six case studies were selected for this project, reflecting a provincial distribution and variation in terms of the nature of 'emerging economy' area – rural, semi-rural and urban – in which each is located.

Five of the case studies reflect areas with a formal retail centre, while one case study – NkowaNkowa – reflects an area with no formal retail centre.

Two of the case studies are located in Gauteng, and one each in KwaZulu-Natal, the Western Cape (Cape Town), Mpumalanga and Limpopo.

Four of the centres represent minor regional centres and one a community centre. The sizes of the centres vary between 11 404 m^2 and 53 581 m^2 of retail GLA, while the numbers of shops in these centres vary between 36 and 150.

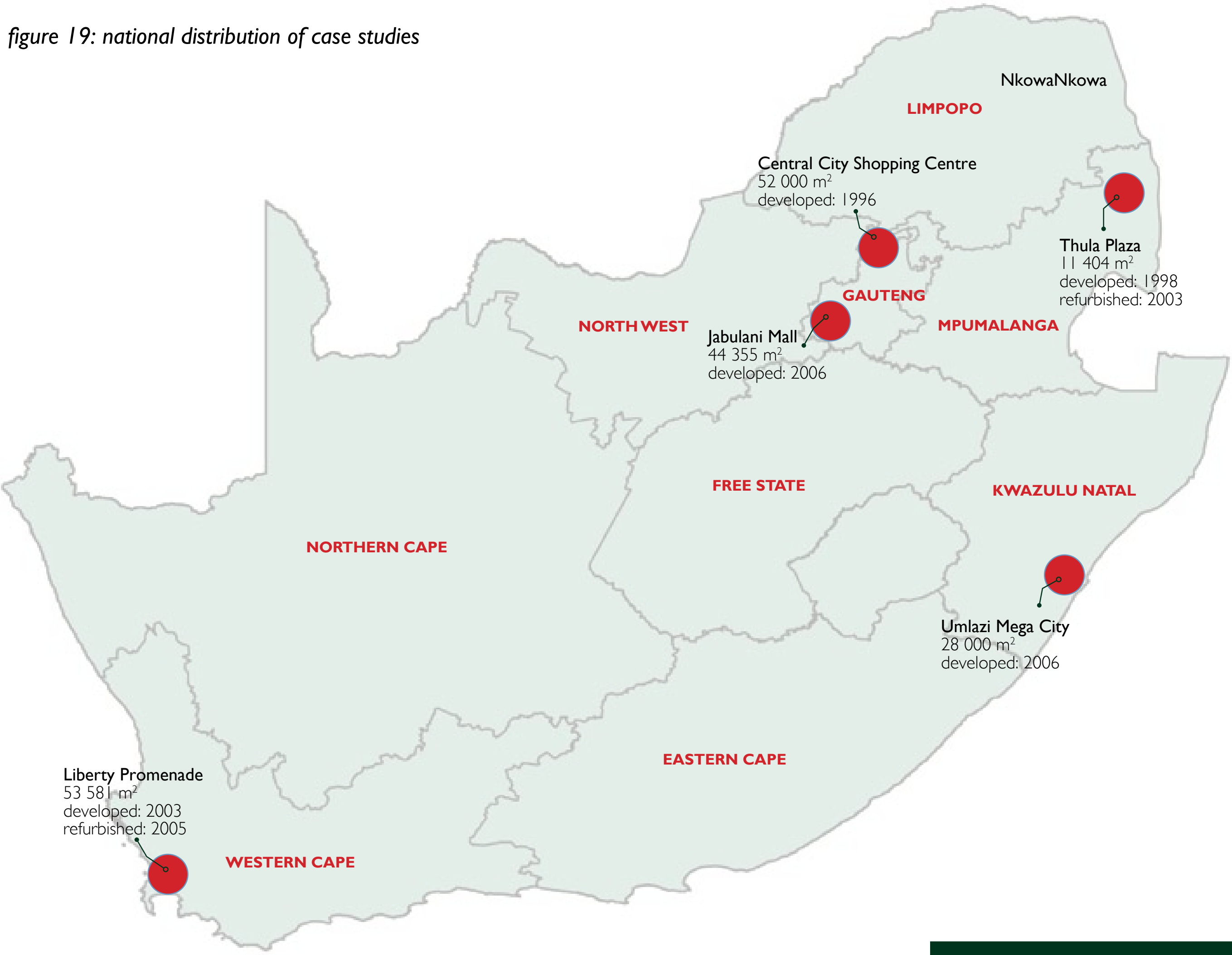
Anchor tenants include Shoprite, Edgars, Woolworths, Game, Score Supermarket, Clicks, Pick n Pay, SuperSpar, Jet and Mr Price.

table 4: case study location and nature of 'emerging economy' areas, and retail centre details

	location	nature of area	centre development date, and size	centre type	parking bays	anchor tenants
Jabulani Mall	Soweto, Johannesburg, Gauteng	major metropolitan area - township	2006 44 355 m²; 104 shops	minor regional centre	156 covered 7 265 open	**Shoprite** Edgars Woolworths Game
Central City	Mabopane, Tshwane, Gauteng	major metropolitan area - township	1996 52 000 m²; 90 shops	minor regional centre	1 030 open	**Shoprite** Score Clicks
Liberty Promenade	Mitchell's Plain, Cape Town, Western Cape	major metropolitan area - township	2003; refurbished: 2005 53 581 m²; 150 shops	minor regional centre	2 452 open	**Edgars** Woolworhts Game Pick n Pay
Umlazi Mega City	Umlazi, Durban, KwaZulu-Natal	metropolitan area - township	2006 28 000 m²; 102 shops	minor regional centre	465 open	**SuperSpar** Woolworths Jet Mr Price
Thula Plaza	Bushbuckridge, Mpumalanga	deep rural/displaced urban area	1998; refurbished: 2003 11 404 m²; 36 shops	community centre	not specified	**Score**
Nkowa-Nkowa	Tzaneen, Limpopo	rural area	n/a	n/a	n/a	n/a

source: Demacon ex South African Council for Shopping Centres, 2009/2010

figure 19: national distribution of case studies



case study methodology

Both qualitative and quantitative research methods were used to undertake the study and collect the primary data[13].

Quantitatively, consumer and local small business surveys were undertaken in the six case study centres. These surveys were used to assess the impact of the absence or presence of formal retail centres on the local economies and business environments.

consumer market surveys

The consumer market surveys – proportionally stratified by geographic area – were in the form of randomly selected household surveys conducted within a 10 km trade radius of each of the retail centres.

Six sets of consumer market surveys were conducted in each of the case study areas. Five sets were conducted in areas with formal retail centres, and one set in an area not characterised by formal retail centres.

700 surveys were conducted as part of the market research, as follows:

- Central City – 100 completed surveys analysed
- Jabulani Mall – 109 completed surveys analysed
- Liberty Promenade – 100 completed surveys analysed
- Umlazi Mega City – 107 completed surveys analysed
- Thula Plaza – 52 completed surveys analysed
- NkowaNkowa – 78 completed surveys analysed.

Each of these sets of surveys addressed a number of aspects, as described below.

case studies with formal retail centre

These surveys entailed a sifting process –

Respondents had to live in the relevant areas before the specific shopping centre under investigation had been developed, before the survey was undertaken.

This was necessary to give a more accurate indication of the impact that the centre has had on the local consumer market.

The survey covered aspects such as consumer behaviour before and after the centre was developed, the overall impact of the centre, the level of satisfaction with the centre and the perceived need to expand the centre. Household information and changes to living standards and income were also collected in the surveys.

case studies without a formal retail centre

These surveys covered aspects such as consumer behaviour, the perceived need for a formal retail centre, and its anticipated impact.

local small business surveys

Randomly selected local small business surveys were conducted within three of the case study areas to identify the level of business sophistication and assess the impact that the formal retail development has had on the local business environment.

360 surveys were conducted within these areas, the majority of which represented productive questionnaires:

- Central City – 99 completed surveys analysed
- Jabulani Mall – 99 completed surveys analysed
- Thula Plaza – 81 completed surveys analysed.

Informal businesses and small formal businesses in the proximity of specific formal retail centres were interviewed. The surveys covered aspects such as the type and age of the business and the industry in which the business operates, the owner's level of education, business training, skills and previous work experience, and their motivation for starting the business.

In addition, the survey looked at the business' access to facilities and services, its use of bank products and average monthly turnover, the owner's awareness of business support measures, and the business' number of employees.

The survey also assessed the business' location and performance, and support required for problems experienced with the business.

Finally, the surveyed looked at respondents' level of business planning and business owners' awareness of business support measures.

Qualitatively, face-to-face interviews were conducted with developers and investors involved in retail development in 'emerging economy' areas, both in rural areas and in townships.

[13] *It should be noted, first, that a limited number of case study areas were examined. Secondly, a large number of questions in the consumer market surveys pertain to perceptions and, as such, do not necessarily correlate with actual facts and values. The level of knowledge pertaining to the respondents' household expenditure and expenditure history has an impact on the quality of answers provided and analysed here. Similarly, a large number of questions in the local small business surveys pertain to perceptions. Respondents' level of knowledge pertaining to business history and records and the general business environment has an impact on the quality of answers.*

Interviews covered centre developmental aspects such as ownership and land issues, project cost structures, development yields, tenanting issues and rentals, consumer behaviour, centre success factors, the major challenges inherent in centre development and the lessons learnt.

The interviews also investigated the impact of formal retail centre development on local small businesses, and mechanisms to move such businesses into formal centres.

impact on local consumers, businesses and the economy

investigating the findings

a closer look at the positive and negative consequences of mall development in 'emerging economy' areas

Having shopping malls in 'emerging economy' areas is one way of creating more mixed, sustainable neighbourhoods, while at the same time making the development of centres of intensive economic activity possible.

Retail centres can create employment opportunities for local residents and boost local businesses. It can also enable shoppers to save on transport costs by offering a wider range of shops closer to home – which in turn could see them spending a larger percentage of their money inside the area. However, there are risks involved in having retail centres in 'emerging economy' areas, where informal trading is a dominant economic activity and a major income source for households. Malls may squeeze out local businesses because they can offer lower prices on a wider range of goods.

The following is a summary of the impacts of specific centre developments on the local consumer market and local small business environment (detailed case study findings are also available in the Demacon report and in appendix A).

Jabulani Mall, Soweto – Gauteng

the context

A minor regional centre, Jabulani Mall was developed in 2006 as a 44 000 m^2 shopping centre with 104 shops and over 7 000 parking bays. Its anchor tenants are Shoprite, Woolworths, Game and Edgars.

The total project fee and investment in the construction of the mall was more than R320 million, and it created 1 200 to 1 800 permanent employment opportunities.

Although Jabulani Mall is located in a market area characterised by high levels of supply – there are 12 other retail centres within a 10 km radius of the centre, and 10 other centres just beyond the border of the trade radius – Maponya Mall represents the only effective competitive supply within the market area.

the 'before' and 'after' pictures: key impacts from the local consumer survey

retail location before the development of the shopping centre

- *percentage shopping done outside local area*[14]*

Before Jabulani Mall was developed, the majority of respondents (60.5%) to this survey conducted their shopping outside the local area. Shopping conducted outside of the local area declined to a weighted average of 35.5% after the centre's development.

- *percentage shopping at local small businesses**

Overall, the development of Jabulani Mall resulted in a decline in support for local small businesses, with the average percentage shopping conducted at such enterprises dropping from 25% before the centre's development to 14% thereafter.

consumers' average monthly retail expenditure

Average monthly household expenditure at formal retail centres in general, before Jabulani's development, amounted to R1 260. After the centre's development, the average weighted amount spent on shopping at formal centres came to R1 503, while such spend at Jabulani Mall came to R1 164.

Some 77% of local consumers' general expenditure occurred at Jabulani after the centre was developed.

perceived impact of the centre on support of local small businesses

One-third of local consumers interviewed perceived that support of local small businesses declined somewhat after Jabulani Mall opened, while just under 30% thought such support declined significantly.

impact of the centre on local retail expenditure

Almost 60% of local consumers reported a slight increase in local retail expenditure after the centre development; those that believed such increases were drastic and those that believed expenditure remained unaffected were both just less than 25% of respondents.

impact of the centre on consumer behaviour

The mall's development had a positive impact on consumer behaviour, with 34% of respondents saying they never had to shop elsewhere anymore and the same percentage indicating that they now shopped less frequently outside the area. Only 2% said their shopping patterns remained unchanged.

consumer perception of the impact of the centre development on local small businesses

The majority of consumers, 76%, was under the impression that the advent of Jabulani Mall made no difference to local small businesses, while 25% believed that there was a decline in informal businesses. Some 38.5% said they perceived small formal businesses closing down, while just under and just over 20% of consumers thought small formal businesses were relocating closer to the centre, or moved into the centre, respectively.

[14] ** indicates a weighted average: an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.*

are provisions made for local small businesses in the new centre?

Almost 57% of consumers thought no provision had been made, while 43% believed that Jabulani Mall did, indeed, accommodate local small businesses.

previously preferred centres support after the new centre

While 49% of respondents said they were not supporting their previously preferred centres, 51% said they still did so.

transport cost (both ways)*

The development of Jabulani Mall has had a positive impact on the cost of transport to formal retail centres, with travel fares to formal retail centres dropping from R15.60 to R10.40 after Jabulani's development. Travel fares to local small businesses also declined, from R12.70 to R9.70.

distance to preferred retail centre* and travel time*

A similar trend is seen in the time it takes consumers to reach both formal retail centres and local small businesses before the centre development and after – to the former it now takes 10 minutes less (the travel time has been reduced from 25 minutes to 15 minutes), while local small businesses can now be reached in 10.6 minutes, compared to the 16 minutes it took before the centre development. The average distance to consumers' preferred formal retail centre stood at about 18km.

perceived need to expand the centre

Almost 73% of consumers thought the centre should be expanded, while some also thought that security and entertainment facilities could be strengthened, and more parking provided.

overall level of satisfaction with new centre

Generally, consumers were very happy with Jabulani Mall; 38% were very positive about the mall, while only 1% was very negative.

overall impact of the new centre

The overall impact of Jabulani Mall has been positive, despite the slightly negative perceived impact on support for local traders. It has improved the retail landscape within the local area, reducing leakage of buying power and improving the overall convenience of shopping locally.

more 'before' and 'after' pictures: the impact of Jabulani Mall's development on local small businesses

As part of this investigation, surveys were conducted with informal businesses, spaza shops, and local small businesses and retailers situated in Soweto, between 1km and 5km from Jabulani Mall.

The main products and services which make up the largest proportion of business income for these respondents include fruit and vegetables, groceries, food, cigarettes, hair salons, internet cafés, shoe repairs, security doors, car parts, building materials and daycare services.

They responded to the following questions.

have you been trading in this area before the centre's development?

Some 82% of local small businesses close to the mall were trading before the centre's development, while 87% of those located between 2km and 5km from the mall ran their businesses before the formal retail centre opened.

perceived impact of the centre on the business' current location?

Respondents from both groups felt the centre's development increased levels of competition, while they did not perceive any change in their access to banking facilities, the accessibility of their business, or issues of safety and security. Respondents conducting business more than 2km away from the centre perceived a decline in pedestrian volumes (feet past their business).

perceived impact on the nature of the business?

Some 58% of local small businesses closer than 2km from the shopping centre indicated that the nature of their business changed after the development of Jabulani Mall, while 49% of such enterprises further away from the centre responded positively to this question. Almost 36% of both groupings felt the nature of their dominant product or service offering also changed after Jabulani Mall opened.

the nature of the change?

Respondents noted that their businesses were initially more retail-orientated; with the development of Jabulani Mall, their operations became more service-orientated.

measuring business performance after the centre development

Just under one quarter of the group of local small businesses closer to the mall rated their business performance as poor (down by less than 5%) after the advent of Jabulani, while 51% of both groups rated their business performance as average (up 5%).

perceived impact of the centre's development on specific business performance indicators

The majority of both groups of local small businesses interviewed said ***employment*** in their businesses remained unchanged before and after the centre development.

Some 37% of respondents closer to the centre indicated that they saw a slight decrease in ***profits*** after the centre opened, while the majority also saw a slight decline in ***monthly turnover.***

Just under and just over 30% of the businesses closer than 2km to and between 2km and 5km from the centre, respectively, saw a slight decline in their ***product ranges***, while ***stock movement*** for the majority from both groupings remained unchanged. Both groups of enterprises saw a slight decrease in their ***consumer volumes.***

factors impacting on business besides the centre's development

The main factors listed here included crime and stock theft, high levels of competition, and a lack of business support and finance, and proper business planning.

in general, would you say that the development of the new centre has benefitted your business?

Half of the local small businesses less than 2km away from the retail centre felt the centre brought them no benefit,; this sentiment was shared by 81% of respondents between 2km and 5km away from the centre. However, 45% of the closer grouping recorded a slight benefit, while only 19% of such enterprises further away responded similarly.

percentage of stock purchased by local small businesses from the new centre

Almost 12% of local small businesses closer to Jabulani bought stock from the centre, while only 9% of those businesses further away from the mall did so.

factors inhibiting your business from locating to a formal centre

The main factors listed here included a lack of customers and funding, the unaffordability of high rentals in formal shopping centres and the inability to compete with national retailers situated in the formal shopping centres.

factors inhibiting business growth

For 32% of the group of local small businesses further away from the centre, the main inhibiting factor was high competition levels, while 20% of the group closer to the mall concurred. Other reasons included a lack of customer support and the cost of stock.

Central City, Mabopane – Gauteng

the context

Central City, developed in 1996 by the Public Investment Corporation and still owned by it, represents a minor regional centre of 52 000 m^2 retail GLA, with 90 shops and 1 030 parking bays. It is anchored by Shoprite, Score Supermarket and Clicks. There are only two other retail centres within a 10km radius from Central City – a community centre in Johannesburg and a local convenience centre in Soshanguve.

the 'before' and 'after' pictures: key impacts from the local consumer survey

retail location before the development of the shopping centre

- *percentage shopping done outside local area**

Before Central City was developed, the majority of respondents (65%) to this survey conducted their shopping outside the local area. Shopping conducted outside of the local area declined to a weighted average of 44.7% after the centre's development.

- *percentage shopping at local small businesses**

Support for local small businesses increased after the development of the centre, with the average percentage shopping conducted at such enterprises rising from just below 20% to slightly more than 24%.

consumers' average monthly retail expenditure

Average monthly household expenditure at formal retail centres in general, before the mall's development, amounted to R861. After the centre's development, the average amount spent on shopping at formal centres came to R1 338, while such spend at Central City stands at R937.

perceived impact of the centre on support of local small businesses

Some 30% of local consumers interviewed said support for local small businesses remained unaffected by the development of the mall, while 11% indicated an increase in support for such enterprises, and 47% said such support had declined slightly.

impact of the centre on local retail expenditure

Some 46% of local consumers reported a small increase in local retail expenditure after the centre development, while 33% believed expenditure remained unaffected, and 20% of respondents thought there was a drastic increase in such expenditure after the shopping centre's development.

impact of the centre on consumer behaviour

The mall's development had a positive impact on consumer behaviour, with almost 33% of respondents indicating that they now shopped less frequently outside the area and 22% saying they never had to shop elsewhere. However, some 23.5% said their shopping patterns remained unaffected.

consumer perception of the impact of the centre development on local small businesses

Just over half of the consumers interviewed (50.3%) said the development of Central City made no difference to local small businesses, while 25% believed that there was a decline in informal businesses. Some 18% said they perceived small formal businesses closing down, while 11% of consumers thought small formal businesses were relocating closer to the shopping centre.

are provisions made for local small businesses in the new centre?

Although the majority of consumers thought that no provision was made for local small businesses at Central City, a fairly large segment of 41% of respondents believed that the centre did accommodate such enterprises.

previously preferred centres support after the new centre

Some 71% of consumers said they still supported their previously preferred shopping centres after Central City was developed.

transport cost (both ways)*

The development of Central City has seen the cost of transport to formal retail centres decrease, from R14.50 to R13.10. Travel fares to local small businesses also declined, from R12.80 to R9.40. Before Central City opened its doors, 36% of local consumers surveyed paid more than R15 in tax / bus fares to reach a formal retail centre. Sine the mall's development, this percentage has declined to just 1.2%.

distance to preferred retail centre* and travel time*

Before Central City was developed, it took consumers 28 minutes to reach their preferred mall, while it took only 12.5 minutes afterwards. The time taken to reach local small businesses decreased slightly, from just over 9 minutes to almost 8 minutes. Local consumers indicated that they travelled 23.5km to their preferred shopping centre.

perceived need to expand the centre

Almost 78% of consumers thought Central City should be expanded, with an emphasis on restaurants, entertainment facilities, convenience stores / a food grocer, financial services. clothing stores and health care.

overall level of satisfaction with new centre

The majority of consumers (43%) indicated that they were satisfied with Central City, while just under 40% rated the centre as 'acceptable'. Only 4% of respondents were not satisfied with the mall.

overall impact of the new centre

The overall impact of Central City has been positive, with just under 80% of local consumers saying the centre improved the convenience of shopping locally, while 80% said the centre provided more affordable goods and services locally. Some 85% and 86% of local consumers responding to the survey thought Central City reduced their average travel time and local travel costs to retail destinations, respectively.

more 'before' and 'after' pictures: the impact of Central City's development on local small businesses

have you been trading in this area before the centre's development?

Some 91% of local small businesses less than 2km from the mall were trading before the centre's development, while 94% of those located between 2km and 5km from the mall ran their businesses before the formal retail centre opened.

perceived impact of the centre on the business current location?

Respondents from the group of enterprises between 2km and 5km from the centre felt the centre's development increased levels of competition and brought about decreased pedestrian volumes. Both groups saw no change in their business' accessibility after the development of the centre.

perceived impact on the nature of the business?

Large segments (between 77% and 79%) of both groups of local small businesses indicated that the nature of their business remained unchanged after the centre's development. The majority of respondents also answered "no" to the question whether the nature of their dominant products had changed.

measuring business performance after the centre development

Just under half of the group of local small businesses closer to the mall rated their business performance as average (up by 5%) after the advent of Central City, while 31% of the same group rated their business performance as good (up by between 5% and 10%). A little less than one third of the group of enterprises between 2km and 5km from the centre rated their business performance as average, while 38% said it was very poor (down by 10%).

perceived impact of the centre's development on specific business performance indicators

Relatively large segments of both groups of local small businesses interviewed saw increases in their ***profits*** and monthly turnover, while ***employment*** remained the same for the group closer to the centre but declined dramatically for 32% of the group farther away.

Almost 23% of the businesses closer than 2km to the centre saw a slight increase in their ***product range***, and 25% an increase in their ***stock movement***. Some 36% of respondents from the segment of local small businesses further than 2km from the centre witnessed a dramatic decrease in their ***consumer volumes***, while a similar percentage of those enterprises located closer to the mall said such volumes had remained the same.

factors impacting on business besides the centre's development

The main factors listed here included crime and stock theft, high levels of competition, and a lack of business support and finance, and proper business planning.

in general, would you say that the development of the new centre has benefitted your business?

Almost two thirds of the local small businesses less than 2km away from the retail centre felt the centre brought them no benefit; this sentiment was shared by 78% of respondents between 2km and 5km away from the centre. However, 34% of the closer grouping recorded a slight benefit, and 22% of such enterprises further away.

percentage of stock purchased by local small businesses from the new centre

Almost 8% of local small businesses closer to Central City bought stock from the centre, while just under 23% of those businesses further away from the mall did so.

factors inhibiting your business from locating to a formal centre

The main factors listed here included a lack of customers and funding, the unaffordability of high rentals in formal shopping centres and the inability to compete with national retailers situated in the formal shopping centres.

factors inhibiting business growth

For almost 60% of the group of local small businesses closer to the centre, the main inhibiting factor was high competition levels, while 13% of the group further away concurred. Other reasons included crime, and accessibility and visibility.

Thula Plaza, Bushbuckridge – North West

the context

Developed in 1998, Thula Plaza represents a community centre of 11 404 m^2 retail GLA and 36 shops. It is anchored by a Score Supermarket and Boxer Cash 'n Carry.

the 'before' and 'after' pictures: key impacts from the local consumer survey

retail location before the development of the shopping centre

- *percentage shopping done outside local area**

Before Thula Plaza was developed, more than 50% of local consumers responding to the survey conducted their shopping outside of the local area. This declined to 36% after the centre's development.

- *percentage shopping at local small businesses**

The development of Thula Plaza also resulted in a decline in support for local small businesses, with shopping conducted at such enterprises dropping from 31% before the centre's development to 27% thereafter.

consumers' average monthly retail expenditure

Average monthly household expenditure at formal retail centres in general, before the mall's development, amounted to R534, while consumers spent R1 104 at such centres after the mall was developed, and R783 at the mall itself.

perceived impact of the centre on support of local small businesses

Some 57% of consumers interviewed thought that support of local small businesses declined somewhat after the development of the mall, while 14% thought such support remained unchanged and 29% indicated a large decline.

impact of the centre on local retail expenditure

Again, 57% of local consumers reported a slight increase in local retail expenditure after the centre development, with 38% believing expenditure remained unaffected.

impact of the centre on consumer behaviour

32% of consumers said they shopped less frequently outside of their local area after Thula Plaza had opened, while almost a quarter of those surveyed said their shopping patterns remained unaffected by the development of the centre.

consumer perception of the impact of the centre development on local small businesses

Of the local consumers interviewed, 35% thought Thula Plaza's development made no difference to local small businesses, while 25% believed the number of informal businesses had declined.

are provisions made for local small businesses in the new centre?

Almost 81% of respondents believed such provisions have been made.

previously preferred centres support after the new centre

The majority, by far, at 95% of local consumers surveyed, still supported their previously preferred retail centres.

transport cost (both ways)*

Local consumers reported a significant decrease in their travel costs to formal retail centres after Thula Plaza's development, from R19.50 to R7.20. The fares to local small businesses increased slightly, from R16 to R17.

distance to preferred retail centre* and travel time*

Consumers also reported a significant decrease in their travel times after the centre's development, from almost 33 minutes to 9 minutes for going to formal retail centres, and from 26 minutes to 21 minutes to travel to local small businesses. The distance to consumers' preferred retail centres is significant, at 28km.

perceived need to expand the centre

All the consumers surveyed thought the centre should be expanded.

overall level of satisfaction with new centre

Almost 50% of consumers thought the centre was 'acceptable', while 37% was positive about the centre.

overall impact of the new centre

Some 87% of consumers said the development of the centre has brought about decreased travel time and costs.

more before and after pictures: the impact of Thula Plaza's development on local small businesses

have you been trading in this area before the centre's development?

64% of local small businesses close to the mall were trading before the centre's development, while about 82% of those located between 2km and 5km from the mall ran their businesses before the formal retail centre opened.

perceived impact of the centre on the business' current location?

Respondents from the group of enterprises situated less than 2km from the centre felt the centre's development increased their proximity to larger businesses and to public transport, while their business' accessibility and visibility improved, as well as pedestrian volumes past their business. The group of small businesses located between 2km and 5km from the centre perceived similar improvements as the former group, but did not mention increased proximity to larger businesses, while they added 'better access to banking facilities' as an additional positive impact of the new centre.

perceived impact on the nature of the business?

Large segments of both groups of local small businesses indicated that the nature of their business remained unchanged after the centre's development. The majority of respondents also recorded no change to the nature of their dominant products.

the nature of the change?

Respondents noted no apparent trend here.

measuring business performance after the centre development

Almost half of the group of local small businesses closer to the mall (48%) rated their business performance as good (up 5%-10%) after the development of Thula Plaza, while 37% of the same group rated their business performance as average (up by 5%). Almost 46% of the group of enterprises between 2km and 5km from the centre rated their business performance as average, while 41% said their businesses performed well (up by between 5% and 10%).

perceived impact of the centre's development on specific business performance indicators

The majority of both groups of local small businesses interviewed said the development of the centre had no impact on particular business performance indicators, or they recorded only a slight increase in terms of these indicators. For example, 87% and 81%, respectively, of businesses located close to and further away from the centre said employment remained the same after Thula Plaza opened its doors, while 43% and 57%, respectively, saw no change in their profits. 51% of the former group and 48% of the latter saw a slight increase in consumers volumes, though.

factors impacting on business besides the centre's development

The main factors listed here included a lack of business facilities, the recession, high levels of competition, the quality of products and services, and the proximity to the road and road accidents. Security aspects and the overall quality of the business environment also impacted on local small businesses in the vicinity of Thula Plaza.

in general, would you say the development of the new centre benefitted you business?

Almost 50% of local small businesses less than 2km away from the retail centre felt the centre brought them no benefit; however, this sentiment was only shared by 4.5% of respondents between 2km and 5km away from the centre. Some 73% of the grouping further away from the centre recorded a slight benefit, and 23% of such enterprises said they benefitted substantially from the development of the centre.

percentage of stock purchased by local small businesses from the new centre

Some 17% of local small businesses closer to Thula Plaza bought stock from the centre, while about 13% of those businesses further away from the mall did so.

factors inhibiting your business from locating to a formal centre

Both groups of local small businesses indicated low levels of customers, low profit margins and a lack of funding as the main reasons for not locating to a formal centre.

factors inhibiting business growth

For 68% of the group of local small businesses closer to the centre, the main inhibiting factor was high levels of competition, with 31% of those businesses situated further from the centre concurring. About 15% of the former group also indicated a lack of product differentiation, while similar percentages of the latter group listed a lack of customers and business recognition as hindering their business growth.

Liberty Promenade, Mitchell's Plain – Western Cape

the context

Developed in 2003, refurbished in 2006 and with a R300 million expansion announced in 2010, Liberty Promenade represents a minor regional centre and is located in the town centre of Mitchell's Plain, Cape Town. It has 53 581 m^2 retail GLA, with 150 shops and 2 452 parking bays. It is anchored by Edgars, Woolworths, Game and Pick n Pay. There are 22 other retail centres within a 10km radius of Liberty Promenade.

the 'before' and 'after' pictures: key impacts from the local consumer survey

retail location before the development of the shopping centre

- *percentage shopping done outside local area**

Before Liberty Promenade was developed, 46% of local consumers responding to the survey conducted their shopping outside the local area. This declined to 40% after the centre's development.

- *percentage shopping at local small businesses**

The development of Liberty Promenade resulted in a slight decline in support for local small businesses, with shopping conducted at such enterprises dropping from 20% before the centre's development to just over 18% thereafter.

consumers' average monthly retail expenditure

Average monthly household expenditure at formal retail centres in general, before the mall's development, amounted to R906, while consumers spent R1 322 at such centres after the mall was developed, and R973 at the mall itself. Almost 74% of local consumers' general expenditure occurred at Liberty Promenade after the centre was developed.

perceived impact of the centre on support of local small businesses

Some 44% of consumers interviewed thought that support of local small businesses declined somewhat after Liberty Promenade opened, while 33% thought such support remained unchanged, and just under 20% indicated an increase in support.

impact of the centre on local retail expenditure

More than half (52%) of local consumers reported a slight increase in local retail expenditure after the centre development; those that believed such increases were drastic came to 16%, and 32% believed expenditure remained unaffected.

impact of the centre on consumer behaviour

Some 36% of respondents reported similar shopping patterns to the period before Liberty Promenade was developed, while 21% said they now shopped less frequently outside the area.

consumer perception of the impact of the centre development on local small businesses

The majority of consumers, 58%, noted that the advent of Liberty Promenade made no difference to local small businesses.

are provisions made for local small businesses in the new centre?

Where the accommodation of local small businesses in the new centre is concerned, 84% of respondents believed such provisions had been made, while only 16% answered to the contrary.

previously preferred centres support after the new centre

There was an almost even split (49.4% versus 50.6%) between local consumers who said they still visited their previously preferred malls after Liberty Promenade opened, against those who indicated no such support.

transport cost (both ways)*

Local consumers reported a slight increase in their travel costs to formal retail centres after the centre's development, from R10 to R11.60, while their fares to local small businesses decreased slightly, from R11.90 (which, interestingly, is higher than travel fares to shopping centres) to R10.40.

distance to preferred retail centre* and travel time*

After Liberty Promenade was developed, it took consumers 12.6 minutes to travel to formal retail centres, compared to the reported 17 minutes before the development. Travel time to local small businesses shows a slight decrease, from 10.6 minutes to 9.9 minutes. The distance to consumers' preferred retail centres is less for this case study than for some of the others, at 8.6km.

perceived need to expand the centre

Over 80% of consumers thought the centre should be expanded.

overall level of satisfaction with new centre

Some 40% of consumers thought the centre was 'acceptable', while 25% was very positive about Liberty Promenade and only 3.8% negative or very negative.

overall impact of the new centre

Some 80% of local consumers say the centre provides a variety of quality goods and services, locally and in a safe and secure retail environment.

Umlazi Mega City, Umlazi – KwaZulu-Natal

the context

Developed in 2006, Umlazi Mega City represents a minor regional centre of 28 000 m^2 retail GLA, 102 shops and 465 parking bays. It is anchored by Super Spar, Woolworths, Jet and Mr Price. There are 16 other retail centres within a 10km radius of Umlazi Mega City.

the 'before' and 'after' pictures: key impacts from the local consumer survey

retail location before the development of the shopping centre

- *percentage shopping done outside local area**

Almost 50% of shopping was done outside of the local area before Umlazi Mega City was developed. After the mall was opened, consumers only conducted about 34% of their shopping outside of the local area.

- *percentage shopping at local small businesses**

Unfortunately, shopping conducted at local small businesses also decreased after the development of the centre, from almost 19% to 16.5%.

consumers' average monthly retail expenditure

Average monthly household expenditure at formal retail centres in general, before the mall's development, amounted to R975, while consumers spent R1 633 at such centres after the mall was developed, and R1 016 at the mall itself. Some 62% of local consumers' general expenditure occurred at Umlazi Mega City after the centre was developed.

perceived impact of the centre on support of local small businesses

About 46% of consumers interviewed recorded that support of local small businesses declined after the retail centre opened, while 35% thought such support remained unchanged and about 15% indicated an increase in support.

impact of the centre on local retail expenditure

More than half (57%) of local consumers reported a slight increase in local retail expenditure after the centre development; those that believed such increases were drastic came to 32%, and 11% believed expenditure remained unaffected.

impact of the centre on consumer behaviour

Some 34% of respondents said they shopped less frequently outside the area after Umlazi Mega City was opened, while the same percentage indicated that they never had to shop elsewhere because of the centre's development. Almost 17% of consumers indicated that they shopped less frequently at previously preferred shopping centres, while only 2% reported similar shopping patterns after Umlazi opened.

consumer perception of the impact of the centre development on local small businesses

The majority of consumers, 56%, was under the impression that the mall's development have had no effect on local small businesses.

are provisions made for local small businesses in the new centre?

Where the accommodation of local small businesses in the new centre is concerned, 71% of respondents believed such provisions had been made.

previously preferred centres support after the new centre

An overwhelming majority (90% of respondents) said they still supported their previously preferred retail centres, even after Umlazi Mega City was developed.

transport cost (both ways)*

Local consumers reported a slight decrease in their travel costs to formal retail centres after the centre's development, from R13 to R12, while their fares to local small businesses also decreased, from R10.60 to R8.50.

distance to preferred retail centre* and travel time*

It took consumers 18 minutes to travel to formal retail centres before the mall was developed; after it opened, it took them only 12 minutes. Travel times to local small businesses also fell, from 9 minutes to 7 minutes.

perceived need to expand the centre

Over 82% of consumers thought the centre should be expanded.

overall level of satisfaction with new centre

About 43% of local consumers rated the mall as 'acceptable', while 37% was positive about the development.

overall impact of the new centre

The mall's overall impact has been positive, with more than 84% of local consumers saying the centre provides quality goods and services, locally, 81% saying such goods and services are provided more affordably, and 81% saying higher levels of credit are now offered to the local community than before the mall was developed.

NkowaNkowa, Tzaneen – Limpopo

NkowaNkowa in Limpopo was selected for the case study in an area where no formal retail centres exist. Household surveys were conducted in the area to determine the impact that the absence of formal retail centres in the area has on the local community and economy.

Some 57% of respondents said they were dissatisfied with shopping facilities within NkowaNkowa, while almost all consumers agreed that a shopping centre development would reduce travel costs and time, and provide a variety of quality and affordable goods and services locally, thus improving the convenience of shopping in the area.

what were the key impacts across all survey areas?

impact on consumers: consumer perceptions

1 impact on shopping patterns

There has been an increase in shopping done locally, as shown by the following responses from the consumer surveys:

- a decrease in shopping undertaken outside the area is evident, from 55% to 38%.
- about 31% of consumers stated that they shopped less frequently outside the area after the centre development.
- 71% of shopping done at a formal centre is now done at the new centre.
- about one-third of consumers said that local retail expenditure remained the same after the development of the centre, whilst two-thirds said local retail expenditure had increased.
- however, almost 78% said they still supported the centres they previously shopped at (but obviously to a lesser degree).

2 impact on travel costs

There has been a decrease in local consumers' cost to access formal retail centres and local small businesses:

- travel cost to formal centres has decreased by 36% (R16.98 to R10.92) after the centre development.
- travel cost to local small businesses has decreased by 21% (R13.94 to R11.02) after the development of the centre.

3 impact on travel time

There has been a decrease in the time it takes local consumers to access formal retail centres, as well as local small businesses, as:

- travel time to formal centres decreased by 57% (29 minutes to 13 minutes) after the centre development.
- travel time to local small businesses decreased by 25% (15.08 minutes to 11.38 minutes) after the centre development.

4 overall consumer perceptions

Generally, consumers have responded positively to the development of formal retail centres in their areas:

- 83% of local consumers perceived the need to expand the centre.
- 40% of the respondents found the new centre to be satisfactory.
- 53% were positive or very positive towards the centre.
- only 7% of respondents were negative about the centre.

In terms of the provision of goods and services, consumers listed the following positive impacts from formal retail centre developments in township and rural areas:

- 76.9% of consumers said retail centre development offers higher levels of credit to the local community.
- 78.8% said they provide a safe and secure retail destination.
- 75% said they provide a variety of goods and services locally.
- 77% said they improved the convenience of shopping locally.
- 74% said they make available more affordable goods and services locally, while 80.08% said they provide quality foods and services locally.
- 83% said they reduced local travel costs, while 82.8% said they reduced the average travel time.

what were the key impacts across all survey areas? (continued...)

impact on local small businesses: consumer perceptions

1 percentage of shopping done at local small businesses

Not much shift has taken place in consumer spending with local small businesses before and after the development of retail centres in township areas, as shown by the following responses from the local consumer surveys:

- prior to the development of retail centres in township areas, 23% of shopping was done at local small businesses.
- post such centre development, consumers did 20% of their shopping at local small businesses.

2 perceived impact of retail centre development on support of informal businesses

Generally, local consumers perceived a decline of local small businesses, as shown by the following responses:

- 27% said support of local small businesses stayed the same after the development of the centre.
- 73% perceived a decline in support for local small businesses after the development of the centre.

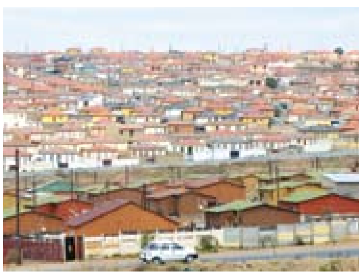
3 consumer perception of changes to local business activity

There has been a variety of changes perceived; however, 62% of consumers thought the centre made provision for local small businesses.

Additional perceptions around this issue included the following:

- 55% of consumers said everything remained the same as before the development of the retail centre.
- 9% of consumers thought that informal businesses moved to locations closer to the centre.
- 16.7% reckoned a decline in informal businesses took place.
- 8.9% of consumers said small formal businesses relocated closer to the centre.
- 16.5% believed small formal businesses had closed down after the development of the shopping centre.
- 13% was of the opinion that small formal businesses relocated to the newly developed retail centres.






what were the key impacts across all survey areas? (continued...)

impact on local small businesses: local small business perceptions

1 general location preferences

Local small businesses have listed the following locational indicators as key to the success of their business:

- 92% said they needed safe and secure areas in which to run their businesses.
- 82% wanted their business to be visible.
- 82% saw proximity to public facilities as important.
- 82.8% said it was necessary to be located along busy streets, for example, public transport routes.
- 75% wanted to be close to services.
- 79.7% of local small businesses needed to be close to banking facilities.
- 69% reported proximity to public transport facilities as an imperative.
- 64% wanted their businesses to be located between houses.
- For 64% of local small businesses, being located within a business node was a requirement.
- For 58% of local small businesses surveyed, place was not a big factor; they indicated 'anywhere' when asked about their location.

Local small businesses' main reasons for being in their current location included the following:

- for 86%, the reason was high volumes of feet, while 74% indicated high levels of activity in their areas and 64.5% liked their businesses' visibility.
- 68.7% felt safe and secure in their current business location.
- 65% of small enterprises felt they had access to services.
- for 64%, the low rentals they paid in their current location was an important factor, while 63% mentioned that there were low levels of competition from other businesses.
- for 58%, the particular business premises or facilities were the most suitable to their type of business.
- 54.2% saw the fact that their business was located close to larger business as important, because the larger businesses attracted more people, while 50% reckoned their proximity to public facilities attracted more potential customers.
- 53.7% of local small businesses liked the fact that they were close to a taxi rank.

The local small business perception surveys recorded an even (50/50) split in terms of such enterprises wanting to be located in or near a formal retail centre.

2 impact on business in terms of location factors

Local small businesses were asked how they perceived the impact of the new retail centre on their business in terms of a number of factors, described below. Most of the respondents felt that competition levels have increased, but also their proximity to public facilities and transport nodes, while the majority of businesses did not see much change in their access to banking facilities, or the visibility of, or issues of safety and security around, their businesses. The majority of local small businesses (86%) surveyed had been trading prior to the development of the centre.

	increased	*decreased*	*stayed the same*
competition	48%	35%	17%
access to banking	41%	9%	50%
safety and security	32%	14%	54%
accessibility	40%	15%	45%
visibility	41%	20%	39%
proximity to larger businesses	45%	15%	40%
proximity to public facilities and transport nodes	51%	13%	36%
levels of foot traffic	48%	23%	30%

what were the key impacts across all survey areas? (continued...)

impact on local small businesses: local small business perceptions

3 impact on overall business performance

Generally, local small businesses saw the development of the retail centre as having a positive effect on their business performance, with 74% witnessing growth of 5% to 10%, while only 25% said their business performance declined by between 5% and 10%.

4 impact on business performance indicators

Local small businesses were asked to indicate the impact they perceived the new retail centre had on their business in terms of a number of performance indicators. For the majority, employment in their businesses, their product range and stock movement remained unchanged, while just fewer than a third of these businesses saw a slight increase in profits.

	slight increase (1%-5%)	*slight decrease (1%-5%)*	*stayed the same*
employment	14%	11%	64%
profits	31%	16%	40%
monthly turnover	29%	17%	42%
product range	20%	17%	51%
stock movement	24%	18%	52%
consumer volumes	31%	18%	37%

In terms of the level of overall benefit of the new retail centre to local small businesses, almost 55% of respondents perceived no benefit, while 40% said they recognised a slight benefit to their business, and just fewer than 6% saw the new mall as being of major benefit to their business.

5 perceived impact on nature of business

Of the local small businesses interviewed across all of the survey sites, 32% said the nature of their business changed after the development of the new centre. However, 75% saw no change in the nature of their product offering after the development of the mall.

6 percentage of stock purchased from the new centre by local small businesses

Only about 13% of local small businesses' stock was bought from the new retail centre.

7 main factors inhibiting growth

For most local small businesses, high levels of competition, crime and a lack of funding worked against business growth.

8 factors inhibiting business from relocating to a formal retail centre

The main factors stopping local small businesses from moving to a formal retail centre were a lack of customers, a lack of funding, the high rentals at shopping centres – which made them unaffordable – an inability to compete with national tenants in the formal retail centres, and low profit margins and low growth.

9 factors impacting on business besides development of centre

A number of issues were recorded which impact on local small businesses, besides the new retail centre having been developed in their areas. The main factors were high levels of competition, a lack of business support and planning, crime and stock theft, the accessibility and visibility of their businesses to potential customers, as well as a lack of customer support, and the high prices of stock.

summary of the impacts of formal retail centre development on local consumers and local small businesses, by category

local expenditure	Before the development of formal retail centres in 'emerging economy ' areas in South Africa, a large percentage of people shopped outside of their areas. High leakage is therefore evident across most case study areas, before the development of the malls. There was a significant increase in local spending after the shopping centres were opened. The development of formal retail centre has therefore reduced the extent of shopping undertaken by local consumers outside their areas. However, the degree to which this increases local circulation is unclear, as a proportion of this increased local spend will still leak out of the area via, for example, the national tenants.
employment	The new retail centres developed play a role in employment creation – in the actual stores, in the management of the centre (including, for example, the cleaning and security functions) and in the construction of the centre. It is estimated that one job is created for every 30 m^2 of retail space that is created, thus an estimated 54 000 jobs have been contributed to the national economy since the 1980s. However, as these new retail centre may also result in the demise of some local businesses, it is important that one looks at the net effect of the centre on the economy of the area in which it is situated.
investment	About one third of all retail centre investment over the past five years has been in 'emerging economy' areas. Some 75% of national Treasury's Neighbourhood Development Programme Grant (R10 billion) is targeted towards retail-orientated intervention. An estimated R21 billion worth of retail investment has been made in 'emerging economy' areas since the 1980s.
taxes generated	R2.4 billion worth of income taxes have been generated by retail investments in 'emerging economy' areas in South Africa since the 1980s, while an estimated R166 million worth of property taxes have been collected from retail centres in these areas over the same period. It is estimated that Soweto's five retail centres generate about R18 million a year in rates and taxes for the City of Johannesburg. These contributions from income and property taxes would not have been collected had the shopping centres not been there, and are a key way to capture the spend in the area and potentially keep it there.
provision of goods	The local consumer surveys showed that the retail centres developed in 'emerging economy' areas provide quality goods, locally, and in a more convenient and affordable manner. 'The proof is in the pudding' – it is estimated that 1.2 million people visited Soweto's two major centres in 2009. Moreover, respondents to these local consumer surveys exhibited a very clear desire for the respective shopping centres in their areas to be extended.

summary of the impacts of formal retail centre development on local consumers and local small businesses, by category (continued...)

provision of services	Formal retail centres developed in 'emerging economy areas' bring services closer to communities, such as banking facilities and pension pay-out points. Importantly, it allows banking by local small businesses to occur on the same day, addressing a crucial safety and security issue, especially in areas where crime is seen as an inhibiting factor to local small business growth. Shopping malls also bring 'events' to townships that would probably not have occurred otherwise. And they often support charities.
impact on travel cost and time	What was clear from the local consumer surveys undertaken was the fact that the development of shopping malls contributes to a decrease in both local consumers' cost and time to access such facilities.
impact on prices	Informal businesses tend not to produce products; they purchase formal sector goods, which they sell on to consumers with a fixed mark-up or margin. This means that informally traded goods will generally have a higher price than those formally traded. However, other sources suggest that this is not always the case; for example, trader prices are cheaper at the Warwick Junction market mall in Durban.[15] The advantage that informal businesses bring is that they sell goods in smaller volumes or in closer proximity to final consumers.[16]
supply-side linkages	Procurement from retail centres by local small businesses is relatively low at between 10% and 25%. There is a need to explore what supply-side linkages can be made to increase local sourcing. However, this is difficult, considering the dominance of brands, and issues of reliability of delivery.
impact on local small business performance	The impact of formal retail centre development in 'emerging economy' areas on local small businesses is mixed, with high levels of competition seen as the main threat to such enterprises, and the increased competition caused by the development of the centre resulting, in some cases, in the closure of local small businesses. However, for the local small businesses that remained or started after the establishment of the shopping centre, general business performance seems to have improved slightly. Of all the local small businesses surveyed by Demacon, 83% had been trading prior to the development of the centre. 74% of these interviewed enterprises saw overall business growth of between 5% and 10%, while 25% reported declining growth of 5% to 10%.

for example, Pan Africa mall supports the Itlhokomeleng Senior Citizens Home, Tsogang meals for orphaned children, the Gcwalasbahle community youth vegetable garden and Born to Dance youth dance classes

[15] *Part of the Warwick Junction Urban Renewal Project – an area-based management initiative tasked with tackling urban management and design challenges – which was established by the Durban City Council in 1997. The project has been identified by UN-Habitat as an international best practice of street trader management and support.*

[16] *Davies and Thurlow, in Impact of township shopping centres: market research findings and recommendations. Demacon Market Studies, p 281.*

table 5: overall impact of 'emerging economy' shopping centres in South Africa between 1980 and 2009 (at net present values and for total retail floor space), in R-million

	investment value	business sales	permanent jobs	business tax	rates & taxes
1980s	2 371	3 831	6 100	278	19
1990s	7 328	11 838	18 800	858	57
2000	11 454	18 503	29 400	1 341	90
total	**21 153**	**34 171**	**54 300**	**2 477**	**166**

construction cost: R13 000 / m^2; annual trading density: R21 000 / m^2; employment factor: 1 employee / 30m^2 retail GLA; turnover: 25% of business sales; business tax: 29% of business turnover; rates & taxes: R8.50 x 12 x total floor space

Prof. Andre Lighthelm, Research Director of the Bureau of Market Research at UNISA concurs with the observation about local businesses, saying that 2008 survey findings of retail development in Soweto showed that the impact of shopping mall development on existing small businesses could not be explained uni-dimensionally, purely portraying a decline in small business activity.

"While some small businesses expect to close their doors, several small businesses were established due to mall development. This is particularly true of street vendors with their ability to intercept large numbers of township consumers at the new malls.

"A third of the respondents surveyed in Soweto predict an expansion of their business turnover, while another third expects a contraction. Some regard the newly developed malls as their main competitor, while others experience stiff competition from fellow small businesses."

source: Small business sustainability in a changed trade environment: the Soweto case, 2009

key discussion points, success factors and possible interventions

Retail centre investors and developers have learnt from past experience how to successfully develop and manage retail centres in 'emerging economy' areas.

But one should recognise that successful and sustainable retail centre development depends on inputs from, and interaction between, a number of role-players besides developers and investors – in this regard, the role of the local municipality, provincial government, tribal authorities, tenants, NGOs and local communities are also important.

For example, municipalities can effectively support and guide retail centre development by making a point of understanding the consumer market in their area, the incentives and constraints which shape the decisions of investors and developers, and the potential impact of the development on existing local small (formal and informal) businesses – and on local consumers.

In addition to the need for there to be in-depth knowledge of the area where retail centres are developed, all stakeholders must recognise the need to act timeously, as failure to do so can often result in a potentially viable retail project becoming financially unfeasible.

Further, pro-poor objectives should be balanced with the centre's growth and revenue aim. 'Emerging economy' area practitioners and developers alike should acknowledge and try to build upon existing innovative and resourceful solutions. At the same time, the diversity and the different objectives of the role-players, be they investors, developers, centre managers, taxi associations, local consumers or local small businesses, should be recognised and factored into development plans and partnerships to ensure their participation and buy-in.

Below are a number of key issues which should be addressed by these role-players when contemplating formal retail centre development in 'emerging economy' areas in South Africa, the factors that ensure their success, and some interventions that could underpin their viability and the potential to galvanise further economic growth and development in these areas.

investment

At the moment, retail centres represent one of only a few investment types in 'emerging economy' areas and as a result, investors and developers must be aware that there will be competing claims on this investment, and very rational attempts by the different role-players to maximise the development for their benefit.

At the same time, communities and local authorities should realise that there is a delicate balance between the risks and returns associated with retail development, and that investors and developers constantly have to assess this risk / return relationship to determine whether to proceed with the development or not.

The magnitude of capital investment involved renders this process extremely sensitive, and investors tend to be risk averse. Hence, as a general rule, tolerance margins for deviation from accepted investment practices are slim, and the current economic climate compounds this sentiment.

In a South African context, certain retail investors and developers have developed a simplified though pragmatic model which enables them to perform an initial first-round filtering (scoping / screening) exercise and eliminate projects with unappealing risk profiles, by asking the following questions:

- Are there 100 000 people within a 10 km radius from the proposed retail development (or at the very least 60 000 to 70 000 people)?
- Can the site accommodate a development of 15 000 m^2 or more (at the very least 10 000 m^2)?
- Can the site accommodate future expansion?
- Is the site controlled by a limited number of private entities?
- Is the site controlled by a tribal authority?
    - Do they support the project?
    - Is the local tribal authority agreeable to a reasonable equity stake that correlates to the approximate cost of providing developable land for the project?
- Can the absence of a land claim be verified?
- Is the site located along a main provincial route or freeway?
- Is there an existing conglomeration of business activities, social services and/or a taxi rank in the vicinity, and is the site far enough (10km) from the closest 'old-town' CBD?
- Is it a 'greenfields' development, or is demolition and redevelopment required?
- Are there any onerous obligations that may increase the project risk, including the following:
    - Complex or cumbersome site assembly (such as the existence of multiple land owners, either private or public)
    - Inappropriate zoning and the need to rezone the land
    - Social obligations and political expectations?
- Will the development be in a position to dominate the local market?

financing

The development of a centre is generally financed by debt finance. In the current climate, this has become increasingly difficult to secure, with loan-to-values between 60% and 70% at present. Mortgage bonds will usually have to be registered, and there will often be a condition that 70% of the centre should be pre-let to national tenants on leases of between 3 to 10 years. Furthermore, investors currently require yields of between 11% and 16%.

Consequently, having control of the land and being able to attract tenants are critical success factors for developers and investors.

land ownership

Land ownership and control, as well as land use rights (business zoning) are of paramount importance to retail centre development. Land ownership should be as uncomplicated as possible and have the least number of stakeholders involved.

Land controlled by tribal authorities and public entities can pose challenges and time delays, as multiple role-players are often involved who cannot reach an agreement with respect to the sale and cost of the land. Furthermore, this land often does not have a title deed, which makes it difficult to obtain financial loans.

facilitating development

Municipalities can encourage the development of retail centres in 'emerging economy' areas by helping centre developers to access serviced, zoned land. Some of the ways in which they can do this are to:

- Plan adequately in terms of the provision of bulk infrastructure and social services.
- Create certainty around any development contributions.
- Create certainty around the regulatory framework – the required conditions should be communicated well in advance, so that developers have the opportunity to include these in their plans, thereby saving additional development time and cost.
- Assist in handling land claims issues.
- Facilitate the town planning and environmental approval process.
- Create and stick to predetermined timelines – municipalities should be clear on how long the approval process might take.
- Be creative and flexible around parking requirements.
- Do not approve more projects than can be sustained in a particular area.
- Ensure the coordination and alignment of internal players within the municipality.

This is where money gets saved, which contributes to the viability of a development, and thus the leveraging in of private role-players. In short, as one developer said, "municipalities should do what only they can do, and the developers will do the rest".

This does not mean than developers be given carte blanche to do what they want. Rather, it means that the local authorities should do what is their responsibility as efficiently and effectively as possible, and that they should impose the necessary conditions on a retail development in as transparent, predictable and timeous a manner as possible.

leveraging developmental outcomes

Retail centres can outbid other uses for the best locations and then monopolise them. They 'internalise' the positive externalities (such as agglomeration), which in turn increases turnovers and rentals, and ultimately the value and returns that flow to the developers and investors.

As a result of this monopolisation of key sites and the negative consequences (for example, traffic congestion) that may result from the development of retail centres, it is justifiable that a pre-condition for the approval of such centres should be that they mitigate the negative impacts and contribute to the broader community. However, the role-players (the local authority, the community and others) should be careful to ensure that the demands and conditions set for retail centre development in 'emerging economy' areas are not too onerous, otherwise such centres will fail.

Similarly, it is important to note that the retail industry is cyclical and thus the development of centres can be relatively marginal at times, which may reduce the opportunities to use the development of the centre to cross-subsidise other developmental outcomes. Furthermore, even when a centre is viable, it can take time to 'gain traction' (trade sustainably) – it may therefore make sense to leverage smaller contributions from a centre over its life rather than larger contributions upfront when its risk of failure is greatest.

In some cases, local and tribal authorities have contributed public and tribal land to a project in return for an ownership stake or other developmental outcomes. However, although getting control of the land is critical, the actual cost of the land relative to the total development cost is usually low.

Therefore, local and tribal authorities must recognise that the contribution of land to a development will not necessarily enable them to leverage significant ownership and developmental outcomes (for example, payment of infrastructure or provision of public facilities) from the development.

Serviced land with the necessary development rights (such as zoning and a completed environmental impact assessment) does, however, increase the land-associated costs substantially. Therefore, by facilitating the provision of serviced and zoned land (for example, by expediting the rezoning), the local and tribal authorities can significantly enhance their power to negotiate greater equity and developmental outcomes.

Overall, it must be understood that developers develop specific products enabling them to occupy a specific niche in the market. Engagement around how such centres could benefit and contribute to local economic development should therefore be realistic and mindful of prevailing conditions.

planning and broader nodal development

Local government is concerned with local economic development and poverty reduction, as well as with town planning. Municipalities have an extremely important role to play in guiding the development of retail centres in 'emerging economy' areas so that their impact is as positive as possible.

It is therefore important for all stakeholders involved to have a clear vision as to how the 'emerging economy' area could be transformed and how the retail centre development can assist in this process. Key to this is knowing what the next step in the development of the area / node would be after the retail centre has been developed. As a result, and to maximise its catalytic role in nodal development, it is critical that a retail centre development should be part of a broader precinct / nodal plan.

In terms of the configuration of these nodes, specific anchors should be developed to attract a daily flow of consumers. These anchors range from a retail centre to an inter-modal facility to a specific public or community facility such as a municipal office – including a municipal service pay-point / pension pay-point – and through to a community centre.

These anchor facilities should be supported by a range of commercial activities, integrated with residential uses and other community facilities, such as a police station, health clinic and sports facilities.

The development of the mixed-use node should provide for components that will contribute towards the attraction of the required thresholds to support the included commercial activities.

Overall, retail centres represent critical building blocks of nodal development within 'emerging economy' areas – and serve as a catalytic anchor. They should, however, be developed at the right location, and with sufficient space to progress into mature mixed-use nodes over time.

Local government's emphasis should be on using the presence of the retail centres to stimulate other local development and investment in the node. Municipalities therefore need to make provision for retail nodes and transport interchanges in township planning layouts, to secure enough land for them in the long term. Provision should also be made for land for ancillary uses around the centre to create opportunities for additional commercial and other development.

size and number of centres

The size of the retail centre will vary, based on the characteristics of the area and the potential consumer market. Experience has shown that retail centres in 'emerging economy' areas should at least be about 15 000 m^2; smaller, and they tend not to have the critical mass to attract the national anchor tenants and banks.

Although most investors and developers prefer a centre size of 25 000 m^2 or greater, sizes would, of course, vary according to the local context. In the right location and in terms of current supply, centres of 5 000 m^2 to 10 000 m^2 could be very successful – although a limited number of national tenants would occupy space in a centre of this size in an 'emerging economy' area.

Provision must also be made for a centre to expand over time. If it cannot expand, a situation of cannibalisation may occur where another centre is developed nearby to cater for the growing demand. However, the area may not be able to support another centre, resulting in two poor-performing centres in the area.

Developers and planners need to recognise that although an area may be able to support a certain amount of formal retail space, this threshold can be reached quite quickly. The development of too many competing centres can lead to a situation where none of the centres are successful, which inhibits their role in attracting investment to the broader node and in the development of the node itself.

A situation may similarly arise where a 15 000 m^2 shopping centre already exists; demand, however, exists for 22 000 m^2 of retail space, leading to the development of another centre of 15 000 m^2 – which is, as explained above, the minimum size needed to attract national anchor tenants and banks to the centre. The result is 30 000 m^2 of retail space but only demand for 22 000 m^2, which brings about a situation where neither centre is successful. It could therefore be argued that it would be beneficial rather to permit one centre and make provision for its incremental expansion over time as demand increases. However, this beneficial monopolistic position granted to a particular centre must be balanced by the centre contributing back to the broader community.

Decisions in terms of the development of competing centres should be underpinned by solid market research to determine the ideal retail centre size and numbers to ensure viability in a particular 'emerging economy' area. Notwithstanding the above, competition should not necessarily be discouraged, as in many cases a number of competing centres can successfully coexist.

location and design

It has been said that 50% of a centre's success rests on its location and design. Retail centres must be located in highly accessible locations, with high visibility and sufficient volumes of customers passing by (foot traffic).

The following design issues are important to the viability and success of shopping centres:

- Both open and closed designs can work, depending on the size of the centre. Centres tend to be closed when they exceed 20 000 m^2, due to the walking distances created by the design.
- Generally, multiple-level developments are not successful, especially for the smaller centres.
- The centre needs to interface positively with the broader environment.
- Parking provision should be based on the size of the centre, the context within which the centre exists and the availability of public transport facilities.
- The centre development should make provision for the establishment or upgrading of public transport facilities that interface in an integrated and positive manner with the centre and with the broader node.

There also needs to be a positive interface with the surrounding local small businesses. Many of these enterprises cannot and should not be accommodated within the centre, but can benefit from the drawing power of the centre and can contribute to the provision of a total retail service to the surrounding community. If they are accommodated in a positive and integrated manner, they can contribute further to the establishment of a flourishing nodal development, but if they are not, they can equally inhibit the growth of such a node.

Care should, however, be taken to understand the trading logic of these local small businesses so that they can be accommodated in a manner that ensures their commercial viability. Like larger retailers, these smaller retailers are equally sensitive to being in the 'right' location. Great care should therefore be taken to locate these enterprises in viable locations and structures.

Accommodating them 'somewhere' on the site may not ensure their continued success and will likely result in them relocating to areas that may interfere in the operation of the centre. Movement flows and foot traffic in the area should be carefully studied to ensure that the enterprises are accommodated in a synergistic manner with the centre.

In terms of accommodating local small businesses in a viable manner within the vicinity of the retail centre development, while the centre should act as a key partner, the responsibility of how these enterprises are accommodated should lie equally with the local authority and the small businesses themselves.

Similarly, as a result of occupying and benefitting from a monopolistic position on the site, the centre could be expected to contribute towards the accommodation of such small businesses. However, this contribution should be reasonable and should not undermine the feasibility of the centre.

tenants and rentals

Tenants prefer being located in shopping centres for the following reasons:

- *Availability of space:* many retailers require large spaces (often more than 1 000 m^2), which is not available on the high street.
- *Availability of services and specialised space*: many retailers require specialised space such as refrigeration rooms and dedicated loading areas.
- *High visibility and access locations:* the size of a retail centre means that it can often out-compete other users for the 'prime' spots in an area that have the greatest exposure and levels of passing traffic.
- *Parking*: shopping centres need large parking areas, which often cannot be found on the high street and in central business areas.
- *Management*: retailers want to focus on their core business of selling and not on property management issues, such as maintenance, security and cleaning.
- The *agglomeration effect*: by renting in a centre, retailers 'buy' into the increased drawing power that results from a particular tenant mix. Thus, by renting in a centre, retailers benefit from a 'package of features' where the 'whole is greater than the sum of its parts'.

Centres tend to be anchored by a major food retailer, and if the centre is bigger than 20 000 m^2, two food retailers. Most major food retailers require between 3 000 m^2 and 4 000 m^2, with the ability to expand later.

Centres dominated by second-tier tenants have generally not been successful. Consumers have been shown to want brand names and national tenants. Where second-tier tenants have dominated a centre, they have generally not been able to capture the leakage of massive spending power from these markets.

However, tenants do need to adapt to their local context and meet local demand and affordability.

Other success factors in terms of the tenant mix include the following:

- Entertainment-related outlets tend not to be successful.
- Local representation in shopping centres in 'emerging economy' areas tend to be actuated through franchises.
- A centre's success is very reliant on the ability to attract the banks. They play an anchor role, and although they can therefore negotiate lower rentals in the centre, a cash culture tends to dominate in 'emerging economy' areas and people will shop where they can access banking facilities close to their preferred retailers.

Rental through-rates of between R80 and R90 / m^2, and R100 to R120 / m^2 are required for open and closed malls, respectively, to be successful.

Support by national retailers does not necessarily mean that a centre will be successful. National tenants pay lower rentals of between R50 / m^2 and R70 / m^2 and take up large areas of the centre.

Therefore, to achieve the necessary through rental rates of between R80 / m^2 and R120 / m^2, a centre needs to be able to attract and retain successful line shop tenants that can afford to pay the substantially higher rentals to meet these through rental levels.

Nationals tenants are also known to have 'out-clauses' in their leases, which mean they can vacate a centre if the centre does not perform at certain prescribed levels.

incorporation of local small businesses and the community in formal retail centres

We have seen that one of the negative impacts of the development of formal retail centres on local small businesses is increased competition levels. Another stumbling block on these businesses' growth path is a lack of business planning, management and financial skills.

For local small businesses to relocate to formal retail centres, their lack of the necessary skills makes it almost impossible for them to, first, successfully apply for space in the centre by submitting a business plan with historical financial information, and secondly, make enough profit to be able to afford the high rentals in these centres.

One must, however, be cautious of being too simplistic when assessing a business' level of sophistication. Many local business people are very astute business-wise, and understand and operate in their trading environment very successfully, often more so than the more formal retail traders. It therefore may be more the case that these operators do not lack business acumen per se but rather that it is different to the trading knowledge and systems required to operate out of a formal retail centre.

Furthermore, not all small local businesses are the same; they are often on different development trajectories. Some local businesses are survivalist by nature but the 'informal' nature of their business results in them having a low cost structure – which enables them to survive.

It would therefore be foolish to 'force' these enterprises into a formal setting with higher cost structures and levels of competition, as they are likely to fail. This would be a 'lose-lose' scenario where both the small enterprise and the centre are put in a worse-off position.

Similarly, due to the nature of the business, small enterprises often operate from different locations during the week; it therefore does not make business sense for them to be located in a fixed position.

Even where local businesses possess higher levels of business sophistication, many will still choose not to locate in a centre, as they are operating successfully from their existing premises – often located in residential properties where they do not have to pay higher rentals, business licences, income tax and other costs associated with operating in a formal business environment. This is even more so in township environments where zoning and building restrictions are limited and often not enforced.

Research has also shown that the provision of space was not identified by small enterprises as a critical factor for a business' development. The *Finscope South Africa Small Business Survey 2010*[17] similarly found that access to space is not that important for start-ups, but is seen as an inhibitor to growth.

It is not surprising then that this research showed that about 50% of traders preferred not to be located within a centre.

However, some small local businesses can benefit and grow by being located in a shopping centre environment, and efforts should be made in terms of centre management and small business training and support to assist such enterprises.

Anecdotal evidence suggests that centres such as Jabulani Mall and Protea Glen Mall have provided space for those small enterprises that were in a position to progress up the retail ladder. Similarly, 54 of the previous 138 traders at Pan Africa Mall have been accommodated in the centre.

Franchising opportunities have also resulted in a number of local and small enterprises being incorporated into shopping centres.

It should be noted, however, that as local enterprises are incorporated into the centres, they tend to be replaced by others, representing a management challenge for local authorities and centre management.

The following should be taken into account when considering incorporating small enterprises into centres:

- The first is whether it is appropriate, considering the size and nature of the enterprise, to accommodate it in the shopping centre in the first place.
- The second is its level of business sophistication. As shown above, a minimum level of sophistication is required and where this is lacking, support needs to be given by either the state or through mentoring programmes run by the private sector (possibly the centre itself).
- The third is whether the enterprise can afford the rentals. As mentioned earlier, centres require a minimum average rental to be viable, and the smaller shops need to pay higher rentals to achieve this average rental. The ability to pay rental is a function of the size of the space rented, gross profit and turnover. Therefore, anything that improves the gross profit received (for example, improved business practices and choosing the correct products to sell) and the turnover, will assist these enterprises to pay the requisite rental.

[17] *www.finscope.co.za*

- The fourth is what role the small enterprise will play in contributing to the success and sustainability of the centre.

It is important that shopping centres are developed in 'emerging economy' areas using an approach that supports, rather than neglects or undermines, the needs of local small businesses. Municipalities should play a key role in guiding retail centre development to ensure a positive impact on local businesses.

A focus on small business development and support by drawing on existing initiatives and through partnerships or mentorships with formal business is one way of ensuring local small business interests are factored in.

As indicated earlier, the state, in the form of the local municipality, and/or the private sector should, where appropriate, provide effective business support measures aimed at assisting such local business development. This would result in an upward shift along the business sophistication scale – if it is approached and implemented as a continuous development programme and not just a once-off project.

Traders in the inner city of Johannesburg are able to pay very high rentals because they rent very small spaces ($2m^2$ to $5m^2$) and have very high turnovers, often as a result of cross-border trade.

In fact, the street-frontage rented space is often no more than a 'shop window' for a wholesale trading operation run out of cheaper, less well-located space (cheaper office building basements).

One could perhaps apply this idea to shopping centres where small, but well-located (high-visibility) spaces are let to small enterprises at competitive, market-related rentals.

At the same time, the small enterprises could rent space that is generally difficult to let in a centre (so called 'dead spaces') at a significantly reduced rental to store larger quantities of their product.

The small enterprise is able to sell large quantities of stock from a small space and is therefore able to pay the high rentals.

The centre also benefits because, first, it is seen to be accommodating small and local enterprises. Secondly, it is receiving market rentals for its space and is able to let problematic space that is often vacant.

A further benefit could be that the small enterprises in the centre play a wholesale supply role to the small enterprises located outside the centre, thus improving the supply chain to these enterprises. As seen earlier in this resource, the centres currently play a small role in this regard.

Measures that could, potentially, support local small businesses, and at the same time contribute to employment creation in their area, are introducing them to alternative business models that may be better suited to their particular businesses, and accommodating them near formal retail centres.

Another way to incorporate the local community into a centre is for the tenants to employ locally. The evidence suggests that this does occur, but that the larger tenants prefer to start with a smaller percentage of local employees and then increase this percentage over time as the skills levels increase through the implementation of training schemes.

The research found that although there were low levels of procurement by the centres from local businesses, such examples do exist, especially related to the management of the centre, and should be encouraged. However, the extent of local procurement by the centre tenants is always likely to be relatively limited because the local businesses usually cannot match the economies of scale, quality, reliability and provision of brands of the regional and national outside suppliers.

management and operations

If the broader precinct is not managed properly, 'crime and grime' conditions can prevail, creating problems for paying tenants in the centre. A common response is for the centre to 'internalise' or 'wall itself off' from its broader environment. This creates a negative interface, reduces the possible synergies with existing local small businesses, and reduces the positive impact that such a centre can have on the broader nodal development.

Management should therefore be addressed at a precinct level, which may require partnerships with the centre management and the local authority. The management of the centres and broader precinct can also offer good opportunities for local employment, procurement and community involvement.

Engagement with local communities upfront is critical to the success of retail centres in 'emerging economy' areas to ensure participation, buy-in and involvement. Local community awareness of the potential advantages of the retail centre could be established by involving local consumers in the development and planning stages.

Options in terms of the role of the centre in the community, its potential contribution to local small business support, and the structuring of particular facilities, such as the accommodation of taxis, should also be discussed with local consumers and the local community.

conclusions: the retail model

The dominant retail development business model is about expansion, new retail centres and profit. Proponents of the mall model point to the way that such centres are able to bring in people and act as a stimulus for nodal developments, skills transfer, local job creation and procurement. Skeptics make a case for not settling for uncritically adopting a model that may not accommodate all the realities and challenges of the environment where such a model is to be 'inserted'.

This leads us to ask questions about whether the current dominant shopping centre trend necessitates the 'death of the high street' and other retail development options. Is there space within this development framework for alternative retail models beyond the 'mall' concept?

There are a number of issues in favour of the development of shopping centres. National tenants prefer to locate in retail centres which are developed by established developers and property managers. In this regard, track record is very important. The issue of security has also become a big concern. High streets are harder to secure than closed malls; similarly, open centres or town square developments pose larger, or more complex, security challenges. Further, parking in the CBD in high street areas is well nigh impossible – in many places one would just not find any space.

Major national tenants will therefore not often locate on the high street, for the following reasons:

- They will tend only to move into a space developed by a developer with an established profile and reputation.
- They will only move into a space managed by a management company with a proven track record.
- They always look for a low crime location – it is, of course, easier to secure a shopping centre than a high street.
- They need to make provision for adequate and easily available and reachable parking.
- They need certain thresholds in terms of accessibility – which cannot be easily provided on the high street.

A key question upon which to base the most applicable initiatives is how much can one intervene in the current model to create greater development opportunities without destroying the viability of the retail centre. The challenge seems to be to avoid simplistic either/or approaches to understanding the broader development agenda, and to learn how to harness various models for retail development to achieve that agenda.

We need to develop a more nuanced understanding of 'emerging economy' area retail and the variety of role-players' / participants' contexts within that environment. We then need to provide them, through creative business models, with a 'licence to participate' in township retail activities in ways which truly meet their needs and are not necessarily, but of course could be, based on conventional or dominant business models. We need to be more open to the search for and development of alternative models and find ways to accommodate people along the continuum from survivalist to entrepreneurial activities.

Retail models that could be considered in pursuit of a broader development agenda include so-called 'chaos precincts' (small, highly compact retail areas), hybrids between formal and informal models, retail centres as community centres that are not characterised by national anchor tenants, and a strengthened and refined 'fruit and veg'[18] model.

However, it is important to note that, while we should question and look for alternatives, the traditional commercial model as it has developed has a particular logic and integrity, and as such works as a 'package'. We can 'play' with it up to a point, but we should be careful not to water it down or hybridise it to such a degree that it becomes unworkable or non-viable.

But maybe, sometimes, the solutions are less complex and 'new' than we might imagine. For example, perhaps the high foot-traffic routes that develop to shopping centres and other facilities become the 'high street'; our task is to plan accordingly to further facilitate such development (for example, by increasing accessibility through wider sidewalks and better lighting on these routes).

A further issue is the need to look beyond the current retail-led economic development approach, which will inevitably peak, to try to project what the new commercial opportunities in 'emerging economy' areas would be in future.

In closing, a call is made for a much closer and more nuanced understanding of retail in an 'emerging economy' area context, and the development and regeneration agendas that must prevail there.

[18] *The 'fruit and veg' model is based on the question why 'survivalist' informal traders continue to sell 'fruit and veg', often close to many other vendors selling the same generic product. It does not seem to make sense. Yet, the logic clearly does seem to work on some level – why else would people keep on doing it? The question is, do we understand it? Maybe the 'fruit and veg' model is not as unworkable as we might think it to be, and instead of trying to fix it, perhaps we should seek to understand it and begin to strengthen the core factors that make it successful, or at least persistent, while assisting in reducing those factors that hinder it.*

appendix a: consumer and local small business survey findings – selected malls

table 6: impact of Jabulani Mall according to the consumer survey conducted

consumer survey: Jabulani Mall	*before*		*after*	
retail location before shopping centre	*JHB CBD*	42.0%	*JHB CBD*	28.9%
	Soweto	33.3%	*Soweto*	39.7%
	Roodepoort	12.7%	*Roodepoort*	17.4%
	Other	12.0%	*Other*	14.0%
% shopping done outside local area*	60.5%		35.5%	
% shopping at local small businesses*	25.3%		14.2%	
average monthly retail expenditure				
- formal centres in general	R1 260.00		R1 503.09	
- new centre	n/a		R 1 163.66	
- % general expenditure at new centre	n/a		77.42%	
- local small businesses	R167.17			
perceived impact of centre on support of local small businesses				
- increased	n/a		14.8%	
- remained the same	n/a		22.2%	
- small decline	n/a		33.3%	
- large decline	n/a		29.3%	
impact of centre on local retail expenditure				
- drastic increase	n/a		20.3%	
- slight increase	n/a		58.1%	
- remained unaffected	n/a		21.6%	
impact of centre on consumer behaviour				
"i shopped less frequently at my previously preferred centres"	n/a		16.7%	
"i visited the local area more for shopping purposes"	n/a		12.2%	
"my shopping patterns remained unaffected"	n/a		2.2%	
"i never have to shop elsewhere because of the centre"	n/a		34.4%	
"i shopped less frequently outside the area"	n/a		34.4%	
consumer perception of impact on local small businesses				
- everything remained the same as before	n/a		76.4%	
- movement of informal businesses to locations closer to the centre	n/a		16.5%	
- decline in informal businesses took place	n/a		25.0%	
- small formal businesses relocated closer to the centre	n/a		19.3%	
- small formal businesses closed down	n/a		38.5%	
- small formal businesses relocated to the centre	n/a		22.0%	
provisions made for local small businesses in new centre?				
- yes	n/a		43.3%	
- no	n/a		56.7%	
previously preferred centres support post new centre				
- supporting	n/a		49.4%	
- not supporting	n/a		50.6%	
transport cost (both ways)*				
- formal centres	R15.60		R10.40	
- local traders	R12.70		R9.70	
distance to preferred retail centre*	17.7km			
travel time*				
- formal centres	25.3 minutes		15.2 minutes	
- local small businesses	16.3 minutes		10.6 minutes	
overall level of satisfaction with new centre				
- very positive / positive	n/a		28.1%	38.2%
- acceptable	n/a		30.3%	
- negative / very negative	n/a		2.2%	1.1%

consumer survey: Jabulani Mall (cont.)	*before*	*after*
perceived need to expand new centre		
- yes	n/a	72.7%
- no	n/a	27.3%
overall impact of new centre		
- the centre offers higher levels of credit to the local community	n/a	67.9%
- the centre offers a safe and secure retail destination	n/a	70.4%
- the centre provides a variety of goods and services locally	n/a	69.7%
- overall the centre improved the convenience of shopping locally	n/a	71.3%
- the centre provides more affordable goods and services locally	n/a	71.6%
- the centre provides quality goods and services locally	n/a	73.1%
- the centre reduced local travel costs	n/a	76.1%
- the centre reduced the average travel time	n/a	77.1%

** weighted average: an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and adding the results*

table 7: perceived impact of Jabulani Mall on local small businesses

local small business survey: Jabulani Mall	*less than 2km*	*more than 2km*
have you been trading in this area before the centre's development?	82.2% - yes 17.8% - no	87.2% - yes 12.8% - no
perceived impact of centre on current location	*increased* levels of competition proximity to public transport pedestrian volumes / feet past business *remained the same* access to banking facilities safety and security accessibility proximity to larger businesses	*increased* levels of competition *remained the same* access to banking facilities safety and security accessibility proximity to larger businesses proximity to public transport visibility *declined* pedestrian volumes / feet past business
perceived impact on nature of business		
- did the nature of your business change after the centre's development?	57.8% - yes 42.2% - no	48.9% - yes 51.1% - no
- did the nature of your dominant product/service change after the centre's development?	35.9% - yes 64.1% - no	35.8% - yes 61.5% - no
nature of change?	initially more retail-orientated, now more service-based	
measuring business performance after centre development		
- very poor: down 10%	2.2%	4.4%
- poor: down less than 5%	24.4%	15.6%
- average: up 5%	51.1%	51.1%
- good: up 5%-10%	22.2%	24.4%
- very good: up more than 10%	0.0%	4.4%
centre development: perceived impact on business performance		
- employment	majority - remained the same	majority - remained the same 25.0% - slight decline 12.5% - dramatic decline
- profits	37.1% - slight decrease 28.6% - slight increase	majority - remained the same 22.5% - slight decline 17.5% - dramatic decrease 12.5% - slight increase
- monthly turnover	majority - slight decline 29.4% - remained the same 26.5% - slight increase	majority - remained the same 10.0% - dramatic decrease 10.0% - slight increase
- product range	majority - remained the same 29.4% - slight decline 20.6% - slight increase	majority - remained the same 32.5% - slight decline 7.5% - slight increase
- stock movement	majority - remained the same 26.5% - small decline 17.6% - slight increase	majority - remained the same 40.0% - small decline
- consumer volumes	majority - slight decrease 25.7% - slight increase 20.0% - remained the same	majority - slight decrease 33.3% - slight increase 15.4% - dramatic decrease 7.7% - slight increase

local small business survey: Jabulani Mall (cont.)	*less than 2km*	*more than 2km*
factors impacting on business besides centre's development	crime and stock theft high levels of competition expensiveness of stock lack of business support lack of business finance increased running cost lack of proper business planning inability to gain profit quality of stock poor product branding	
in general, would you say that the development of the new centre benefitted your business?		
- no benefit	50.0%	81.4%
- slight benefit	45.2%	18.6%
- major benefit	4.8%	0.0%
percentage of stock conducted from the new centre	11.8%	8.7%
factors inhibiting your business from locating to a formal centre	lack of customers lack of funding product recognition nature of business high rentals limited business growth poor business performance	lack of funding lack of business education nature of business high rentals inability to compete with nationals poor business performance lack of customers
factors inhibiting business growth	3.3% - slow profit 3.6% - informal nature of business 5.0% - lack of unique business opportunity 6.0% - economic recession 6.6% - lack of funding 9.9% - accessibility and visibility 13.2% - price competition of larger shops 15.9% - stock prices 16.6% - lack of customer support 19.9% - high levels of competition	3.2% - economic recession 14.4% - lack of funding 2.9% - accessibility and visibility 5.8% - stock prices 4.0% - lack of customer support 31.7% - high levels of competition 3.7% - labour costs 4.9% - lack of business support 6.1% - product recognition 6.9% - inability to save 7.8% - lack of proper management 8.6% - crime
business ownership		
- own	46.2%	44.7%
- rent	43.6%	44.7%
- use without rent	10.3%	10.3%
do you have any form of business planning for your business?		
- business strategy	13.0%	17.3%
- financial records	30.4%	28.3%
- marketing plan	15.2%	13.5%
- budget	21.7%	30.2%
- business plan	41.3%	50.9%

note: a large number of these questions pertain to perceptions and do not necessarily correlate with the actual facts and values

table 8: impact of Central City according to the consumer survey conducted

consumer survey: Central City	*before*		*after*	
retail location before shopping centre	*Pta Central*	51.0%	*Pta Central*	28.1%
	Pta North	14.8%	*Pta North*	9.9%
	Ga-Rankuwa	13.4%	*Ga-Rankuwa*	2.5%
	Soshanguve	8.1%	*Soshanguve*	29.8%
	Mabopane	8.1%	*Mabopane*	15.7%
	Other	4.7%	*Other*	14.0%
% shopping done outside local area*	62.2%		44.7%	
% shopping at local small businesses*	19.7%		24.3%	
average monthly retail expenditure				
- formal centres in general	R816.90		R1 338.00	
- new centre	n/a		R 936.66	
- % general expenditure at new centre	n/a		70.0%	
- local small businesses	R158.31			
perceived impact of centre on support of local small businesses				
- increased	n/a		11.3%	
- remained the same	n/a		30.2%	
- small decline	n/a		47.2%	
- large decline	n/a		11.3%	
impact of centre on local retail expenditure				
- drastic increase	n/a		20.3%	
- slight increase	n/a		46.4%	
- remained unaffected	n/a		33.3%	
impact of centre on consumer behaviour				
"i shopped less frequently at my previously preferred centres"	n/a		7.1%	
"i visited the local area more for shopping purposes"	n/a		14.1%	
"my shopping patterns remained unaffected"	n/a		23.5%	
"i never have to shop elsewhere because of the centre"	n/a		22.4%	
"i shopped less frequently outside the area"	n/a		32.9%	
consumer perception of impact on local small businesses				
- everything remained the same as before	n/a		50.3%	
- movement of informal businesses to locations closer to the centre	n/a		14.0%	
- decline in informal businesses took place	n/a		25.3%	
- small formal businesses relocated closer to the centre	n/a		11.0%	
- small formal businesses closed down	n/a		18.0%	
- small formal businesses relocated to the centre	n/a		32.0%	
provisions made for local small businesses in new centre?				
- yes	n/a		41.2%	
- no	n/a		58.8%	
previously preferred centres support post new centre				
- supporting	n/a		71.4%	
- not supporting	n/a		28.6%	
transport cost (both ways)*				
- formal centres	R14.50		R13.10	
- local small businesses	R12.80		R9.40	
distance to preferred retail centre*	23.5km			
travel time*				
- formal centres	28.1 minutes		12.5 minutes	
- local small businesses	9.3 minutes		7.6 minutes	
overall level of satisfaction with new centre				
- very positive / positive	n/a		13.5%	43.2%
- acceptable	n/a		39.2%	
- negative / very negative	n/a		4.1%	0.0%
perceived need to expand new centre				
- yes	n/a		77.6%	
- no	n/a		22.4%	

consumer survey: Central City (cont.)	*before*	*after*
overall impact of new centre		
- the centre offers higher levels of credit to the local community	n/a	79.0%
- the centre offers a safe and secure retail destination	n/a	81.0%
- the centre provides a variety of goods and services locally	n/a	80.0%
- overall the centre improved the convenience of shopping locally	n/a	79.0%
- the centre provides more affordable goods and services locally	n/a	80.0%
- the centre provides quality goods and services locally	n/a	82.0%
- the centre reduced local travel costs	n/a	86.0%
- the centre reduced the average travel time	n/a	85.0%

** weighted average: an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and adding the results*

table 9: perceived impact of Central City on local small businesses

local small business survey: Central City	*less than 2km*	*more than 2km*
have you been trading in this area before the centre's development?	91.1% - yes 0.9% - no	94.1% - yes 5.9% - no
perceived impact of centre on current location	*increased* proximity to public transport pedestrian volumes / feet past business proximity to larger businesses *remained the same* safety and security accessibility	*increased* levels of competition *remained the same* access to banking facilities safety and security accessibility visibility proximity to public transport *declined* pedestrian volumes / feet past business proximity to larger businesses
perceived impact on nature of business		
- did the nature of your business change after the centre's development?	22.7% - yes 77.3% - no	21.2% - yes 78.8% - no
- did the nature of your dominant product/service change after the centre's development?	9.3% - yes 90.7% - no	20.4% - yes 79.6% - no
nature of change?	no apparent trend	
measuring business performance after centre development		
- very poor: down 10%	5.1%	37.8%
- poor: down less than 5%	15.4%	18.9%
- average: up 5%	48.7%	29.7%
- good: up 5%-10%	30.8%	13.5%
- very good: up more than 10%	0.0%	0.0%
perceived impact on business performance after centre development		
- employment	majority - remained the same	47.7% - remained the same 31.8% - dramatic decline
- profits	50.0% - slight increase 29.5% - remained the same	37.2% - remained the same 34.9% - dramatic decrease
- monthly turnover	45.5% - slight increase 34.1% - remained the same	35.9% - dramatic decrease 37.2% - remained the same
- product range	61.4% - remained the same 22.7% - slight increase	52.4% - remained the same 19.0% - dramatic decrease
- stock movement	59.1% - remained the same 25.0% - slight increase	51.2% - remained the same 20.9% - slight increase
- consumer volumes	even share - slight increase/ volume stability	36.4% - remained the same 36.4% - dramatic decrease
factors impacting on business besides the centre's development	crime and stock theft high levels of competition expensiveness of stock new road construction staff retrenchment lack of business skills lack of proper business planning poor business management lack of business support slow stock movement poor product branding	

local small business survey: Central City (cont.)	*less than 2km*	*more than 2km*
in general, would you say that the development of the new centre benefitted your business?		
- no benefit	63.6%	77.8%
- slight benefit	34.1%	22.2%
- major benefit	2.3%	0.0%
percentage of stock conducted from the new centre	7.5%	22.5%
factors inhibiting your business from locating to a formal centre	lack of customers lack of funding product recognition low prfit margins	lack of funding lack of business education nature of business high rentals inability to compete with nationals
factors inhibiting business growth	2.4% - immigrants 3.5% - stock prices 4.7% - low volume of consumers 6.6% - business facilities 9.5% - lack of funding 14.2% - accessibility and visibility 59.1% - high levels of competition	10.8% - lack of funding 8.4% - stock prices 9.5% - accessibility and visibility 11.8% - high levels of competition 3.4% - slow profit 4.4% - informal nature of business 5.1% - lack of government support 10.1% - lack of business skills 3.4% - lack of proper management 20.3% - crime
business ownership		
- own	46.3%	61.5%
- rent	41.5%	12.8%
- use without rent	12.2%	25.6%
do you have any form of business planning for your business?		
- business strategy	6.7%	31.5%
- financial records	31.1%	35.2%
- marketing plan	8.9%	33.3%
- budget	33.3%	50.0%
- business plan	42.2%	42.6%

note: a large number of these questions pertain to perceptions and do not necessarily correlate with the actual facts and values

table 10: impact of Thula Plaza according to the consumer survey conducted

consumer survey: Thula Plaza	before		after	
retail location before shopping centre	*Bushbuckridge*	31.0%	*Bushbuckridge*	31.8%
	Acornhoek	20.4%	*Acornhoek*	11.4%
	Hazyview	23.9%	*Hazyview*	22.7%
	Nelspruit	23.9%	*Nelspruit*	15.9%
	Other	0.9%	*Other*	18.2%
% shopping done outside local area*	50.8%		35.7%	
% shopping at local small businesses*	30.9%		27.0%	
average monthly retail expenditure				
- formal centres in general	R534.20		R1 103.95	
- new centre	n/a		R782.64	
- % general expenditure at new centre	n/a		70.9%	
- local small businesses	R154.67			
perceived impact of centre on support of local small businesses				
- increased	n/a		0.0%	
- remained the same	n/a		14.3%	
- small decline	n/a		57.1%	
- large decline	n/a		28.6%	
impact of centre on local retail expenditure				
- drastic increase	n/a		4.8%	
- slight increase	n/a		57.1%	
- remained unaffected	n/a		38.1%	
impact of centre on consumer behaviour				
"i shopped less frequently at my previously preferred centres"	n/a		22.0%	
"i visited the local area more for shopping purposes"	n/a		7.3%	
"my shopping patterns remained unaffected"	n/a		24.4%	
"i never have to shop elsewhere because of the centre"	n/a		14.6%	
"i shopped less frequently outside the area"	n/a		31.7%	
consumer perception of impact on local small businesses				
- everything remained the same as before	n/a		34.8%	
- movement of informal businesses to locations closer to the centre	n/a		3.8%	
- decline in informal businesses took place	n/a		25.4%	
- small formal businesses relocated closer to the centre	n/a		1.9%	
- small formal businesses closed down	n/a		13.5%	
- small formal businesses relocated to the centre	n/a		5.8%	
provisions made for local small businesses in new centre?				
- yes	n/a		80.5%	
- no	n/a		19.5%	
previously preferred centres support post new centre				
- supporting	n/a		95.0%	
- not supporting	n/a		5.0%	
transport cost (both ways)*				
- formal centres	R 19.50		R 7.20	
- local small businesses	R 16.00		R 17.10	
distance to preferred retail centre*	28km			
travel time*				
- formal centres	32.7 minutes		9.1 minutes	
- local small businesses	26.2 minutes		21.4 minutes	
overall level of satisfaction with new centre				
- very positive / positive	n/a		2.0%	36.7%
- acceptable	n/a		49.0%	
- negative / very negative	n/a		12.2%	0.0%
perceived need to expand new centre				
- yes	n/a		100.0%	
- no	n/a		0.0%	

consumer survey: Thula Plaza (cont.)	*before*	*after*
overall impact of new centre		
- the centre offers higher levels of credit to the local community	n/a	76.5%
- the centre offers a safe and secure retail destination	n/a	81.6%
- the centre provides a variety of goods and services locally	n/a	64.8%
- overall the centre improved the convenience of shopping locally	n/a	77.1%
- the centre provides more affordable goods and services locally	n/a	59.0%
- the centre provides quality goods and services locally	n/a	81.3%
- the centre reduced local travel costs	n/a	87.0%
- the centre reduced the average travel time	n/a	87.0%

** weighted average: an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and adding the results*

table 11: perceived impact of Thula Plaza on local small businesses

local small business survey: Thula Plaza	less than 2km	more than 2km
have you been trading in this area before the centre's development?	63.6% - yes 36.4% - no	81.8% - yes 18.2% - no
perceived impact of centre on current location	*increased* proximity to larger businesses proximity to public transport pedestrian volumes / feet past business visibility accessibility	*increased* proximity to public transport pedestrian volumes / feet past business visibility accessibility access to banking facilities
perceived impact on nature of business		
- did the nature of your business change after the centre's development?	29.8% - yes 70.2% - no	13.6% - yes 86.4% - no
- did the nature of your dominant product/service change after the centre's development?	29.5% - yes 70.5% - no	15.0% - yes 85.0% - no
nature of change?	no apparent trend	
how would you measure the performance of your business after the centre's development?		
- very poor: down 10%	0.0%	4.5%
- poor: down less than 5%	14.8%	4.5%
- average: up 5%	37.0%	45.5%
- good: up 5%-10%	48.1%	40.9%
- very good: up more than 10%	0.0%	4.5%
perceived impact on business performance after centre development		
- employment	86.6% - remained the same 25.5% - slight increase	81.0% - remained the same 14.3% - slight increase
- profits	52.9% - slight increase 43.1% - remained the same	57.1% - remained the same 23.8% - slight increase
- monthly turnover	45.1% - slight increase 45.1% - remained the same	52.4% - remained the same 33.3% - slight increase
- product range	64.7% - remained the same 27.5% - slight increase	66.7% - remained the same 28.6% - dramatic decrease
- stock movement	54.9% - remained the same 39.2% - slight increase	46.7% - remained the same 46.7% - slight increase
- consumer volumes	51.0% - slight increase 41.2% - remained the same	47.6% - slight increase 42.9% - remained the same
factors impacting on business besides centre's development	lack of business facilities economic recession high levels of competition quality of products and services proximity to road and road accidents taxi rank security aspects overall quality of the business environment	
in general, would you say that the development of the new centre benefitted your business?		
- no benefit	49.1%	4.5%
- slight benefit	47.2%	72.7%
- major benefit	3.8%	22.7%
percentage of stock conducted from the new centre	17.0%	12.8%

local small business survey: Thula Plaza (cont.)	*less than 2km*	*more than 2km*
factors inhibiting your business from locating to a formal centre	low levels of customers low profit margins lack of business recognition size of business level of formalisation limited business growth lack of funds	low levels of customers lack of funding visibility low profit margins high levels of competition low levels of growth high rentals
factors inhibiting business growth	2.9% - lack of business skills 2.9% - lack of reinvestment in business 2.9% - business recognition 8.8% - lack of business facilities 14.7% - lack of product differentiation 67.6% - competition	7.7% - accessibility 7.7% - crime 15.4% - lack of customers 15.4% - business recognition 23.1% - lack of funding 30.8% - competition
business ownership		
- own	21.3%	42.1%
- rent	38.3%	42.1%
- use without rent	40.4%	15.8%
do you have any form of business planning for your business?		
- business strategy	20.4%	28.6%
- financial records	35.2%	52.4%
- marketing plan	29.6%	25.0%
- budget	35.2%	47.6%
- business plan	46.3%	71.4%

note: a large number of these questions pertain to perceptions and do not necessarily correlate with the actual facts and values

table 12: impact of Liberty Promenade according to the consumer survey conducted

consumer survey: Liberty Promenade	before	after
retail location before shopping centre	*Mitchell's Plain* 56.3%	*Mitchell's Plain* 59.5%
	CT Central 29.5%	*CT Central* 20.7%
	Somerset West 4.5%	*Somerset West* 3.6%
	Other 9.8%	*Other* 16.2%
% shopping done outside local area*	46.1%	40.2%
% shopping at local small businesses*	20.3%	18.4%
average monthly retail expenditure		
- formal centres in general	R906.40	R1 321.78
- new centre	n/a	R973.30
- % general expenditure at new centre	n/a	73.6%
- local small businesses	R 270.50	
perceived impact of centre on support of local traders		
- increased	n/a	19.4%
- remained the same	n/a	33.3%
- small decline	n/a	44.4%
- large decline	n/a	2.8%
impact of centre on local retail expenditure		
- drastic increase	n/a	15.9%
- slight increase	n/a	52.2%
- remained unaffected	n/a	31.9%
impact of centre on consumer behaviour		
"i shopped less frequently at my previously preferred centres"	n/a	6.6%
"i visited the local area more for shopping purposes"	n/a	18.4%
"my shopping patterns remained unaffected"	n/a	36.8%
"i never have to shop elsewhere because of the centre"	n/a	17.1%
"i shopped less frequently outside the area"	n/a	21.1%
consumer perception of impact on local small businesses		
- everything remained the same as before	n/a	58.3%
- movement of informal businesses to locations closer to the centre	n/a	5.0%
- decline in informal businesses took place	n/a	3.0%
- small formal businesses relocated closer to the centre	n/a	4.0%
- small formal businesses closed down	n/a	6.0%
- small formal businesses relocated to the centre	n/a	2.5%
provisions made for local small businesses in new centre?		
- yes	n/a	84.2%
- no	n/a	15.8%
previously preferred centres support post new centre		
- supporting	n/a	49.4%
- not supporting	n/a	50.6%
transport cost (both ways)*		
- formal centres	R10.00	R 11.60
- local small businesses	R11.90	R10.40
distance to preferred retail centre*	8.6km	
travel time*		
- formal centres	17.1 minutes	12.6 minutes
- local small businesses	10.6 minutes	9.9 minutes
overall level of satisfaction with new centre		
- very positive / positive	n/a	25.0% 26.9%
- acceptable	n/a	40.4%
- negative / very negative	n/a	3.8% 3.8%
perceived need to expand new centre		
- yes	n/a	80.8%
- no	n/a	19.2%

consumer survey: Liberty Promenade (cont.)	*before*	*after*
overall impact of new centre		
- the centre offers higher levels of credit to the local community	n/a	79.8%
- the centre offers a safe and secure retail destination	n/a	79.0%
- the centre provides a variety of goods and services locally	n/a	80.0%
- overall the centre improved the convenience of shopping locally	n/a	78.0%
- the centre provides more affordable goods and services locally	n/a	79.0%
- the centre provides quality goods and services locally	n/a	80.0%
- the centre reduced local travel costs	n/a	83.0%
- the centre reduced the average travel time	n/a	82.0%

** weighted average: an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and adding the results*

table 13: impact of Umlazi Mega City according to the consumer survey conducted

consumer survey: Umlazi Mega City	before		after	
retail location before shopping centre	*Durban Central*	48.2%	*Durban Central*	28.7%
	Isipingo	24.1%	*Isipingo*	13.2%
	Umlazi	10.2%	*Umlazi*	35.3%
	Chatsworth	3.6%	*Chatsworth*	2.2%
	Queensburgh	2.2%	*Queensburgh*	0.0%
	Other	11.7%	*Other*	20.6%
% shopping done outside local area*	49.9%		34.2%	
% shopping at local small businesses*	18.9%		16.5%	
average monthly retail expenditure				
- formal centres in general	R974.90		R1 633.10	
- new centre	n/a		R1 016.40	
- % general expenditure at new centre	n/a		62.2%	
- local small businesses	R288.96			
perceived impact of centre on support of local small businesses				
- increased	n/a		14.8%	
- remained the same	n/a		35.2%	
- small decline	n/a		46.3%	
- large decline	n/a		3.7%	
impact of centre on local retail expenditure				
- drastic increase	n/a		32.1%	
- slight increase	n/a		57.1%	
- remained unaffected	n/a		10.7%	
impact of centre on consumer behaviour				
"i shopped less frequently at my previously preferred centres"	n/a		16.7%	
"i visited the local area more for shopping purposes"	n/a		12.2%	
"my shopping patterns remained unaffected"	n/a		2.2%	
"i never have to shop elsewhere because of the centre"	n/a		34.4%	
"i shopped less frequently outside the area"	n/a		34.4%	
consumer perception of impact on local small businesses				
- everything remained the same as before	n/a		56.1%	
- movement of informal businesses to locations closer to the centre	n/a		6.5%	
- decline in informal businesses took place	n/a		4.7%	
- small formal businesses relocated closer to the centre	n/a		8.4%	
- small formal businesses closed down	n/a		6.5%	
- small formal businesses relocated to the centre	n/a		4.7%	
provisions made for local small businesses in new centre?				
- yes	n/a		71.4%	
- no	n/a		28.6%	
previously preferred centres support post new centre				
- supporting	n/a		89.7%	
- not supporting	n/a		10.3%	
transport cost (both ways)*				
- formal centres	R13.10		R12.30	
- local small businesses	R10.60		R8.50	
distance to preferred retail centre*	15.3km			
travel time*				
- formal centres	18.4 minutes		12.4 minutes	
- local small businesses	9.4 minutes		7.4 minutes	
overall level of satisfaction with new centre				
- very positive / positive	n/a		15.1%	37.2%
- acceptable	n/a		43.0%	
- negative / very negative	n/a		3.5%	1.2%
perceived need to expand new centre				
- yes	n/a		82.5%	
- no	n/a		17.5%	

consumer survey: Umlazi Mega City (cont.)	*before*	*after*
overall impact of new centre		
- the centre offers higher levels of credit to the local community	n/a	81.1%
- the centre offers a safe and secure retail destination	n/a	82.1%
- the centre provides a variety of goods and services locally	n/a	81.1%
- overall the centre improved the convenience of shopping locally	n/a	80.2%
- the centre provides more affordable goods and services locally	n/a	81.1%
- the centre provides quality goods and services locally	n/a	84.0%
- the centre reduced local travel costs	n/a	84.0%
- the centre reduced the average travel time	n/a	83.0%

** weighted average: an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and adding the results*

table 14: impact of NkowaNkowa according to the consumer survey conducted

consumer survey: NkowaNkowa	current		anticipated impact
preferred retail location	*Tzaneen Crossing*	32.5%	
	Maake Plaza	20.8%	
	Tzaneng Mall	31.2%	
	Mabopane	2.6%	
	Checkers Centre	9.1%	
	Oasis Mall	3.9%	
% shopping done outside local area*	40.9%		n/a
average monthly retail expenditure			
- formal centres in general	R1 650.90		n/a
- local small businesses	R111.90		n/a
anticipated impact of a new centre on consumer behaviour			
"i will shop less frequently at my previously preferred shop"	n/a		1.5%
"i will visit the local area more for shopping purposes"	n/a		37.3%
"my shopping patterns will remain unaffected"	n/a		3.0%
"i will never have to shop elsewhere"	n/a		6.0%
"i will shop less frequently outside the area"	n/a		52.2%
transport cost (both ways)*			
- formal centres	R12.20		n/a
- local small businesses	R5.70		n/a
travel time*			
- formal centres	20.8 minutes		n/a
- local small businesses	3.6 minutes		n/a
overall level of satisfaction with shopping facilities within NkowaNkowa			
- dissatisfied	58.0%		n/a
- acceptable	22.6%		n/a
- satisfied	19.3%		n/a
anticipated impact of new centre			
- the centre will improve the convenience of shopping locally			98.7%
- the centre will reduce local travel costs			98.7%
- the centre will provide a variety of goods and services locally			97.4%
- the centre will reduce the average travel time			94.8%
- the centre will provide quality goods and services locally			94.8%
- the centre will offer a safe and secure retail destination			90.9%
- the centre will provide more affordable goods and services locally			90.9%
- the centre will offer higher levels of credit to the local community			77.4%

** weighted average: an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and adding the results*

Urban LandMark
making urban land markets work for the poor

Office 112 Infotech Building ◎ 1090 Arcadia Street ◎ Hatfield 0083 ◎ South Africa
Tel: +27 12 342 7636 ◎ Fax +27 12 342 7639 ◎ email: info@urbanlandmark.org.za

www.urbanlandmark.org.za