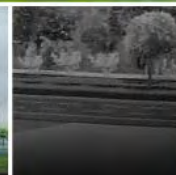# DEMACON
market studies

Impact of Township Shopping Centres

MARKET RESEARCH FINDINGS AND RECOMMENDATIONS

July 2010

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CHAPTER ONE: INTRODUCTION

1.1   BACKGROUND

DEMACON Market Studies was appointed by **Urban Landmark** to undertake quantified research on the nature and impact of shopping centre developments in South Africa's second economy' markets (i.e. township areas).

Chapter One provides an introduction and concise roadmap of the *Impact of Township Shopping Centres Market Research Study.* The chapter provides an overview of the problem statement, significance of the study, project methodology and report outline.

1.2   PROBLEM STATEMENT

The last decade has seen a significant increase in the number of retail centres being developed in second economy areas (townships and rural areas).

This trend has been met with mixed reactions:

1. Some argue that these centres have a negative impact on the local economies by out-competing the local enterprises.
2. Some argue that these centres bring a wider range of goods and services closer to the local population at a reduced price, reducing the need to travel and the associated costs.
3. Some argue that these centres can play an important catalytic role in generating urban agglomerations, thereby initiating urban renewal and the development of vibrant town centres.

Research is required to test these assertions and to explore ways in which the positive impact of these centres can be maximised and the negative impacts minimised.

1.3   OBJECTIVES OF THE STUDY

The overall goal of this study is to provide a quantified, comprehensive, insightful and in-depth analysis of the complex dynamics and intricate realities that influence the development and functioning of second economy shopping centres – from both the demand and supply side. The process is centred on quantitative research and qualitative knowledge sharing of industry best and worst practices, critical success factors and fatal flaws.

The objectives for reaching this goal are the following:

✓ To obtain a basic understanding of the functioning of township economies and land markets;
✓ To identify second economy development drivers and underlying trends;
✓ To develop a dynamic market perspective and trend analysis of shopping centre developments in South Africa's second economy markets over the past 10 to 15 years;
✓ To develop an understanding of shopping centre hierarchies in general, the emergence and evolution of commercial nodes in township economies and the natural progression of such nodes along known (well-researched) neighbourhood and nodal development cycles;
✓ To determine the impact of second economy centres on the local consumer market;
✓ To determine the impact of second economy retail centres on local enterprises and traders;

✓ To identify critical success factors and fatal flaws; with reference to centre design and tenanting considerations, parking ratio challenges, critical mass requirements, location and transport considerations and prerequisites;

✓ To identify the challenges and opportunities facing the industry via a SWOT analysis;

✓ To identify clear and concrete intervention options & recommendations such as negative impact mitigation strategies, positive impact optimisation strategies, and recommendations for addressing identified blockages in the system and facilitating access to the broadest possible spectrum of well diversified consumer goods and services, whilst creating an increasingly efficient economic system.

1.4   SIGNIFICANCE OF THE STUDY

The significance of the study is threefold:

✓ It will contribute to the development of a comprehensive understanding of retail centre development in second economy areas.

✓ It will contribute to an understanding of the positive and negative impacts that retail centre development has on local economies.

✓ It will assist in the development of effective leverage mechanisms to improve the evolving role and function of commercial markets in second economy areas and to minimise the negative impacts thereof.

1.5   PROJECT METHODOLOGY

Diagram 1.1 illustrates the project methodology applied in the market study. As mentioned earlier the project methodology is based on a combination of quantitative and qualitative research.

Step 1: Introduction – This step merely included an inception meeting, in which the project brief and study objectives were clarified, case studies were selected and the general timeframe was discussed.

Step 2: Township Transformation and Property Markets – A general overview and understanding was developed in terms of the township transformation timeline, the presence of property markets in these areas, the impact thereof on economic development and the general workings of these markets and interventions required in order to unlock market potential. This was based on secondary data sources.

Step 3: Changes in Consumer Landscape – The consumer landscape in second economy areas has undergone significant changes over the past few years, with a significant impact being made by the rising black middle class. This positive trajectory of income growth in association with the impact of the social grant system has positive impacts on the overall living standards in these areas. This chapter sheds some light on these trends and the impact thereof on retail expenditure. This was based on secondary data sources.

Step 4: Retail Centre Supply Trends – Retail centre development in these second economy areas was reflected in terms of a timeline nationally, as well as on a provincial basis – looking at development dates, average size and number of shops and retail centre classification. This was based on secondary data sources.

Diagram 1.1: Project Methodology
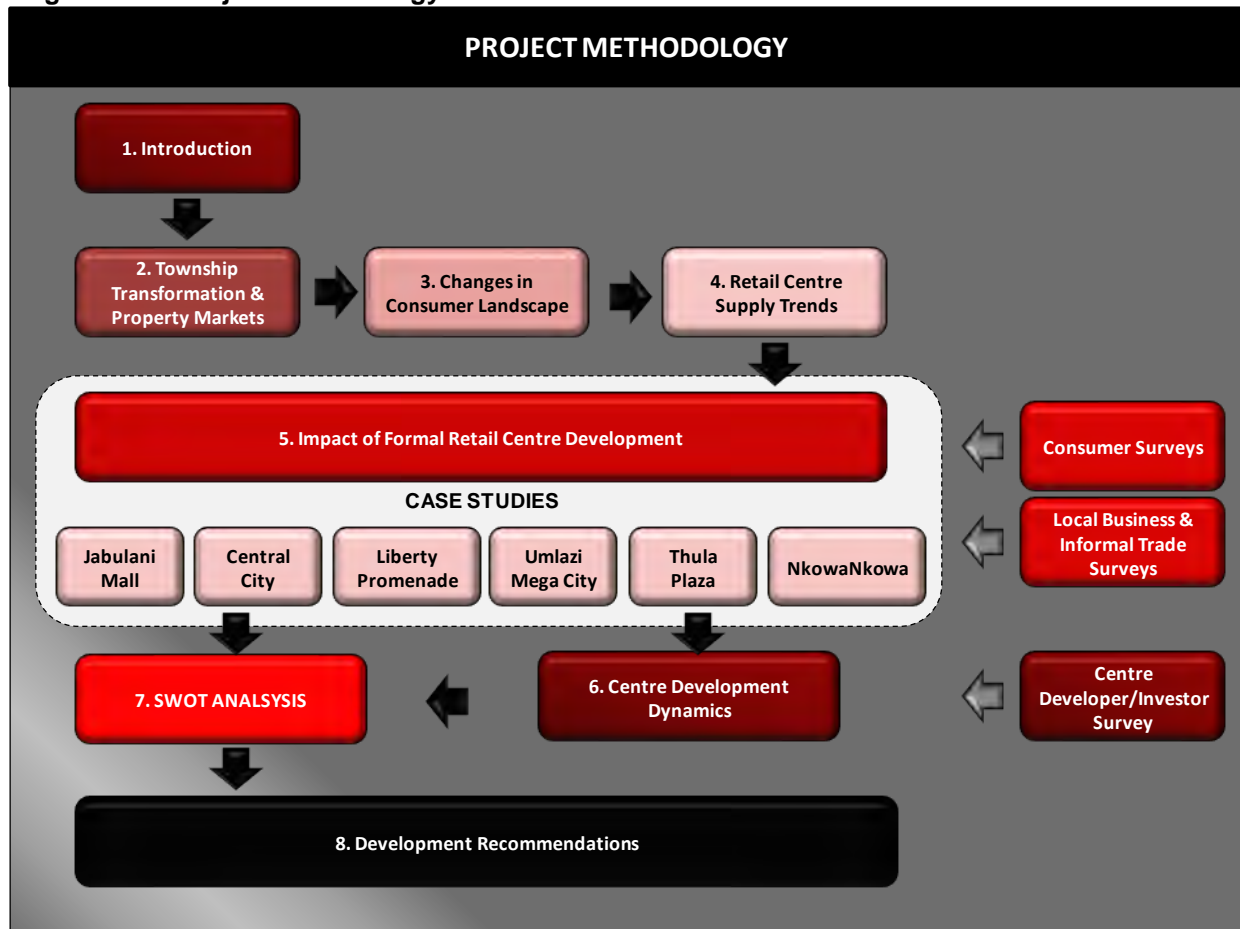
Source: Demacon, 2010

Step 5: Impact of Formal Retail Centres – The development of formal retail centres had an impact on the consumer market and local business environment of these localities. The impacts on these two market segments were assessed by means of quantitative data collection methods.

Impact was assessed by means of the selection of six case studies – five areas with retail centres and one area without a retail centre – Refer to Map 1.1. The case studies included the following areas: Jabulani Mall in Soweto, Central City in Mabopane, Liberty Promenade in Mitchell's Plain, Umlazi Mega City in Umlazi, Thula Plaza in Thulamahashe and NkowaNkowa in Limpopo Province. This provided an effective distribution between provinces and various types of secondary economy areas – urban to extremely rural. Consumer household surveys (in all areas) and local business surveys (Jabulani Mall, Central City, Thula Plaza) were conducted to assess the impact of centre development, or the absence thereof, on the local economies.

Step 6: Centre Development Dynamics - Critical success factors and fatal flaws; with reference to centre design and tenanting considerations, parking ratio challenges, critical mass requirements, location and transport considerations and prerequisites are addressed in this chapter by means of conducting interviews with shopping centre developers and investors.

Step 7: SWOT analysis – The strengths, weaknesses, opportunities and threats of retail centre development in the second economy areas are assessed firstly, in terms of the impact on local communities and secondly in terms of a retail industry developer/investor perspective.

Step 8: Development Recommendations – The findings of the previous steps are integrated into a set of clear and concrete interventions, options and recommendations aimed at optimising the positive impacts and mitigating the negative impacts and blockages associated with retail centre development in second economy areas.

Map 1.1: Case Study Location
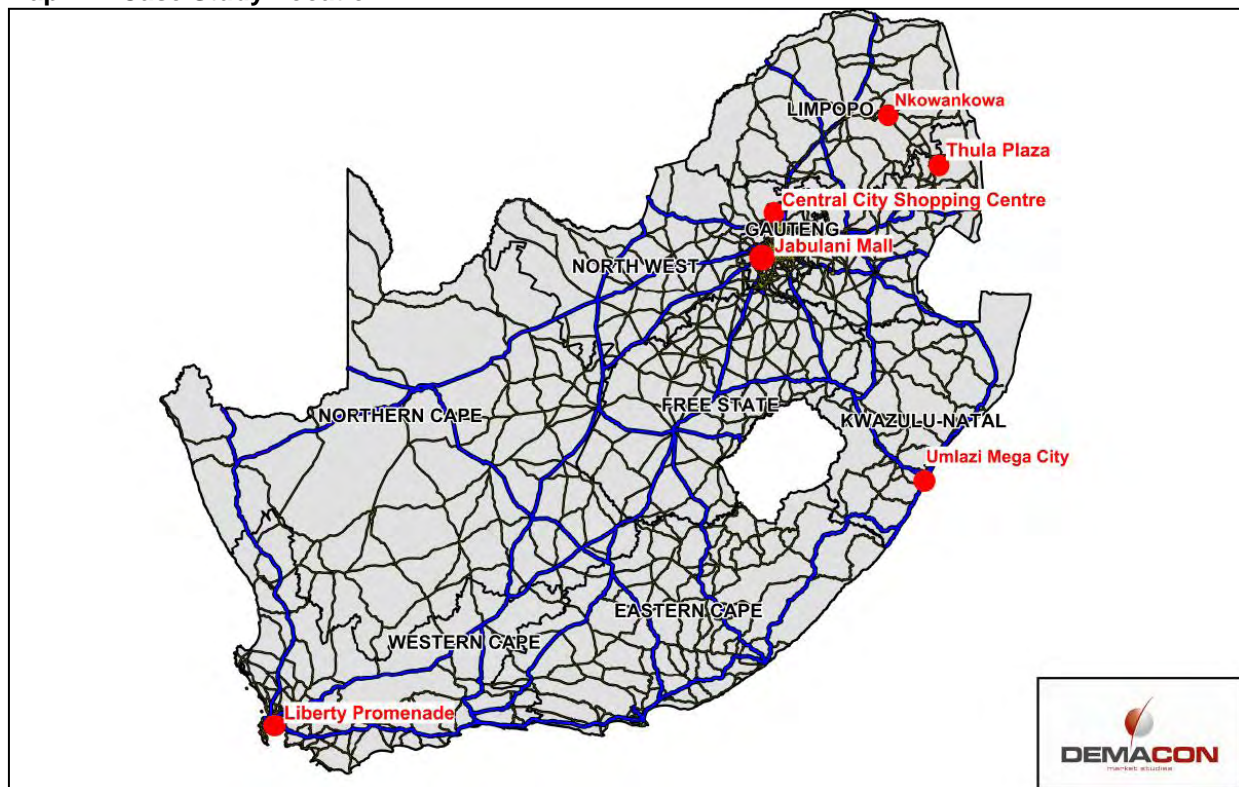
Source: Demacon, 2010

1.6   SURVEY METHODOLOGY

A combination of qualitative and quantitative research methods was utilised to obtain primary data.

Quantitative Data

Two different types of surveys were performed as part of the market research: consumer market surveys and local business surveys. 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:**
  • 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.
  • Surveys were randomly conducted within a delineated 10km radius.
  • 700 surveys were conducted as part of the market research – the majority of these surveys represented productive questionnaires that could effectively be analysed:
    o Central City – 100 completed surveys analysed;
    o Jabulani Mall – 109 completed surveys analysed;
    o Liberty Promenade – 100 completed surveys analysed;
    o Umlazi Mega City – 107 completed surveys analysed;
    o Thula Plaza – 52 completed surveys analysed;
    o NkowaNkowa – 78 completed surveys analysed.

- Each of these sets of surveys addressed a number of aspects:
  - o Case studies with formal retail centre:
    - ▪ These surveys entailed a sifting process – respondents had to live in the relevant areas before the specific centre under investigation had been developed before the survey proceeded. This was necessary to give a more accurate indication of the impact that the centre had on the local consumer market.
    - ▪ The survey covered the following dominant aspects:
      - Household information;
      - Past consumer behaviour before the centre was developed;
      - Current consumer behaviour - after the centre was developed;
      - Level of satisfaction with the centre;
      - Perceived need to expand the centre;
      - Overall impact of the centre;
      - Changes to living standards and income.
  - o Case study without a formal retail centre:
    - ▪ The survey covered the following dominant aspects:
      - Household information;
      - Consumer behaviour;
      - Perceived need for formal retail centre;
      - Anticipated impact;
      - Changes to living standards and income.

- ✓ **Local Business Surveys:**
  - • Randomly selected local business surveys were conducted within three of the case study areas in order to identify the level of business sophistication and to assess the impact that the formal retail development had on the local business environment.
  - • 360 surveys were conducted within these areas, the majority of which represented productive questionnaires that could effectively be analysed:
    - o Central City – 99 completed surveys were analysed;
    - o Jabulani Mall – 99 completed surveys were analysed;
    - o Thula Plaza – 81 completed surveys were analysed.
  - • Local businesses and informal traders in proximity to specific formal retail centres were interviewed.
    - o The survey covered the following dominant aspects:
      - ▪ Type of business;
      - ▪ Racial, gender and age profile of owner;
      - ▪ Highest level of education;
      - ▪ Indication of business training and skills;
      - ▪ Previous work experience;
      - ▪ Industry involved in;
      - ▪ Age of business;
      - ▪ Motivation for starting the business;
      - ▪ Number of employees;
      - ▪ Access to facilities, equipment and services;
      - ▪ Ownership;
      - ▪ Business planning;
      - ▪ Utilisation of bank products;
      - ▪ Average monthly business turnover;
      - ▪ Awareness of business support measures;
      - ▪ Impact of formal retail centre on business location;
      - ▪ Impact of formal retail centre on business performance;
      - ▪ Business problems and required support.

These data sets were captured into excel spread sheets where the data were cleaned and analysed – with the findings reflected in figures and table formats as indicated in the document.

Qualitative Data

✓ In terms of qualitative data – physical face to face interviews were held with developers and investors involved in retail centre development in these second economy areas – i.e. rural areas and townships.

✓ Interviews were conducted according to a preset list of questions pertaining to a number of centre development aspects:
  • Ownership and land issues;
  • Cost structure of projects;
  • Tenanting issues;
  • Rentals;
  • Development yields;
  • Take-up and lease periods;
  • Centre design and sizes;
  • Consumer behaviour;
  • Market research;
  • Success factors;
  • Major challenges & lessons learnt;
  • Impact on local businesses & mechanisms to move into formal centres;
  • Knowledge of the SASCS centre hierarchy and applicability to second economy areas.

These findings were integrated and general trends were compiled and included in the market research document.

1.7 REPORT OUTLINE

The remainder of the report is structured in terms of the following main headings:

Chapter 2:   Township Transformation and Property Markets
Chapter 3:   Changes in Consumer Landscape
Chapter 4:   Retail Centre Supply Trends
Chapter 5:   Case Study Introduction
Chapter 6:   In-Depth Case Study Analysis – Jabulani Mall
Chapter 7:   In-Depth Case Study Analysis – Central City
Chapter 8:   In-Depth Case Study Analysis – Liberty Promenade
Chapter 9:   In-Depth Case Study Analysis – Umlazi Mega City
Chapter 10:   In-Depth Case Study Analysis – Thula Plaza
Chapter 11:   In-Depth Case Study Analysis – NkowaNkowa
Chapter 12:   Impact on Local Businesses and Informal Trade
Chapter 13:   Centre Development Dynamics
Chapter 14:   SWOT Analysis and Impact Assessment
Chapter 15:   Development Recommendations.

CHAPTER TWO: TOWNSHIP TRANSFORMATION AND PROPERTY MARKETS

2.1   INTRODUCTION

South African townships have undergone a series of transformations since the 1900s. Public and private sector investment in these areas has increased and renewal has taken place. Township economies have developed on the back of township market development and improvement. Therefore, before the focus is turned toward this study's objective of identifying the impact that formal retail investment had on these areas it is important to understand how they developed and how the different types of markets operate in these areas.

2.2   TOWNSHIP TRANSFORMATION

Over the years, townships have developed an **iconic profile** in South African society, as the places where the **struggle for freedom** was waged, where many of today's **leaders**, including politicians, famous artists, business and sportsmen and women were **born and grew up**. They are also places where a **real sense of community remains.** Today townships across the country are known for their **vibrancy** in various aspects such as creative industries, mass transport activity, trade promotion and cultural heritage promotion[1].

Approximately 4.6 million households were living in townships across South Africa in 2005 – this represented 36% of the total number of households in South Africa at the time (12.7 million). A significant proportion of metropolitan households (50%) in 2005 were living in townships[2].

The extent varies per metropolitan area:
- ✓ Cape Town: 46%
- ✓ eThekwini (Durban): 38%
- ✓ Ekurhuleni (East Rand): 70%
- ✓ Johannesburg: 49%
- ✓ Nelson Mandela Bay (Port Elizabeth): 67%
- ✓ Tshwane (Pretoria): 42%

Townships have transformed over time – as evident from the township transformation timeline developed by DPLG and EU. Government and private sector investment also increased over time, particularly during the period 2005-2009.

Most large townships were built or significantly expanded by the apartheid government after 1950. Through the enforcement of the Group Areas Act (1950), accompanied by various elements of racially engineered town planning legislation, the government forced the entire non-white urban population to live in townships.

These regulations, alongside massive housing programmes initiated to accommodate a growing urban working class, underpinned the creation of townships and shaped South African cities in the unique way that we see today.

For black (African, Indian and coloured) South Africans, townships were areas of exclusion, control and containment, affecting every aspect of residents' lives. Most townships were linked to the city centre and industrial areas by a single road and possibly one railway line, which could easily be blocked if residents began to organise protests against these conditions.

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[1] Source: DPLG and EU. 2009. Township Renewal Timeline. SA Cities Network.
[2] Source: DPLG and EU. 2009. Township Renewal Timeline. SA Cities Network.

Figure 2.1: Township Transformation Timeline

1900-1922 Early Segregation	1923-1947 Segregation Consolidated	1948-1975 Apartheid	1976-1993 Apartheid Dismantled	1994-2004 Democratisation	2005-2009 Towards Urban Integration
First Townships	Increased in importance	Extensive development of townships	Civil unrest, international sanctions, pressures of urbanisation, failing economy contributed to dismantling apartheid policy	Local authorities undergo substantial transformation	URP continues
Labour urban areas	Increase in government investment	Development slow down as focus shifts to homelands	Acceptance of Africans in urban areas	Significant investment into some townships through SIPS and URP	Funding & capacity key constraints
Poor living conditions	Informal settlements emerge	Townships segregated physically, socially and economically	99 year leaseholds and property rights provided	Success is variable and impact limited	Sectoral programme implementation impacts positively
Limited investment	Living conditions poor	Isolated and poverty increase as access to economic opportunities and urban amenities restricted	Funding for housing is increased	Access to housing, services and amenities improve	Upgrade of townships largely uncoordinated
Influx control	Relocations from rural to urban	Society more militant – demonstration increase and violence increase	Private sector housing in townships commence	Townships remain separate and marginalised	NDPG launched
No rights	Government takes more direct role	Sanctions & boycotts applied	Racial local authorities established	Key difficulty – capacity & coordination within spheres of government	Better and improved planning & budgeting pursued
Segregated	Resistance increases		Africans move into inner city and suburbs	SA two economies – one white & wealthy, one black & poverty stricken	Housing Development Agency focus launched
Civil society contest segregation					Roles of local & provincial government in township development remains unclear
					Increasing realisation of role of private sector in developing townships
					Tension exists between private investment and township business interests

Source: Demacon Ex. DPLG & EU, 2010

After apartheid was dismantled a new trend emerged which was characterised by the following[3]:

✓ Townships remained spatially excluded due to the peripheral location of many and their limited transport links to the cities.
✓ In some cases, however, cities have expanded in such a manner that townships now form part of the city – examples include; Alexandra (Johannesburg) and Duncan Village (East London).
✓ New patterns of economic activity have developed, particularly since the early 1990s. Today, many cities are 'multinodal', with economic activity and workplaces concentrated in several locations.
✓ These structural changes affect townships in different ways. Many townships, especially those built in the 1970s and 1980s (e.g. Soshanguve in Pretoria, Mdantsane in East London and Botshabelo outside Bloemfontein) remain far away from work opportunities. Others find themselves close to new economic nodes (e.g. INK [Inanda, Ntuzuma and KwaMashu], which lies one freeway exit away from Umhlanga Ridge – the wealthy business/residential district of Durban).
✓ Proximity to urban growth nodes has, however, not resulted in integration or in visible development.
✓ Most of the townships that are well located have become the destination for large numbers of migrants moving from rural areas to urban opportunities, examples include Alexandra and Duncan Village.
✓ For apartheid's planners, cheap and efficient movement of labour to and from employment opportunities was never a major factor. This has left South Africa with a very expensive public transport system – costly for township residents to use and for the state to subsidise.

2.3   THE TOWNSHIP LANDSCAPE TODAY AND OUTCOMES OF TOWNSHIP REGENERATION[4]

✓ Townships are an ever-present part of the urban landscape in South Africa. The typical city or town will contain a mix of the following elements:
  ✓ Core and frame (fringe/periphery);
  ✓ Decentralised commercial centres and suburbs;
  ✓ Industrial areas;
  ✓ Upper- and middle-income residential neighbourhoods;
  ✓ Declining residential neighbourhoods;
  ✓ Townships and post-apartheid additions.
✓ Due to the historical social compression in racially segregated areas, old townships are socially, culturally and economically diverse.
✓ Many of the townships – especially larger townships – contain middle- and lower-income areas and scattered middle-income households.
✓ However, most township residents are poor and unemployment rates are very high.
✓ Income disparity is particularly evident and these disparities are growing.
✓ Clearly, the benefits of economic growth for township residents have been far below expectations. For many people, townships have become poverty traps.
✓ However, progress has been made with regard to government's township regeneration strategies and approaches – refer to Figure 2.2.

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[3] Source: TTRI. 2009. Township Renewal Sourcebook. South African Cities Network.
[4] Source: TTRI. 2009. Township Renewal Sourcebook. South African Cities Network

Figure 2.2: Key Outcomes of Township Regeneration

KEY OUTCOMES OF TOWNSHIP REGENERATION

Physical

Reduced Transport Costs

Reduced Travel Time

Greater Regional Access

Reduced isolation

Increased access to facilities, goods & Services

Enhanced intra-township mobility & accessibility

Improved use of existing capital & infrastructure assets

Economic

Improved competitive position of workers and work seekers in regional labour markets

Better performance & competitiveness of township businesses

Optimal performance of residential property markets

Improved performance of retail & services market to benefit residents

Urban Management

Vibrant, safe, regulated, well-managed & maintained public & private environment

Increased en-user involvement in urban management

Higher equity standards in services and public facilities

Higher rates of social and economic returns from investment in public infrastructure

Improved quality of residential accommodation

Social

Enhanced access to regional social opportunities

Elimination or co-option of gangsterism & exploitative structures

Increased number range, capacity & connectivity of local community institutions

Reduced outmigration of human capacity and rate models

Greater capacity of adults to act effectively against risky and antisocial behaviour

Source: Demacon Ex. SA Cities Network, 2010

It is essential to consider township markets when planning for renewal and economic development. Paragraphs hereafter focus on economic development in townships and highlight the interlinked markets that operate within this setting. They focus on the role of functioning residential and commercial property markets. They also examine how public and private sector actions can improve market efficiency.

2.4   TOWNSHIP PROPERTY MARKETS

Market: a set of arrangements by which buyers and sellers exchange goods, services or information; involves the interaction of demand and supply.

A market consists of:

✓   An institutional foundation (laws, rules, regulations, enforcement)
✓   Organisations which provide services (banks, financial institutions, loan sharks)
✓   Support organisations such as audits, legal, IT, and market research[5]

Property markets are influenced by four different markets:

✓   User market
✓   Financial market
✓   Development market
✓   Land market

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[5] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury.

Property markets may be affected by the following[6]:

- ✓ **Economic conditions** – GDP growth, economic recession etc, which affect demand for space and conditions in the capital market;
- ✓ **User market**: increased demand can result in higher rentals;
- ✓ **Capital market**: conditions such as increased interest rates determine investor returns;
- ✓ The asset market, rentals and expected investor returns (capitalisation rate) translate **rentals** into **property values;**
- ✓ **Development industry**: triggered by rising or falling property values and rising or falling building costs. If property prices increase more rapidly than building cost, supply will increase;
- ✓ **Supply**: a rise in supply (if growth in demand slows down) can lead to an oversupply of space which could result in a decline in rentals and property values;
- ✓ Property markets are therefore affected by a combination of all of the above factors.

These impacts are indicated graphically in Figure 2.3.

Figure 2.3: Township Property Market
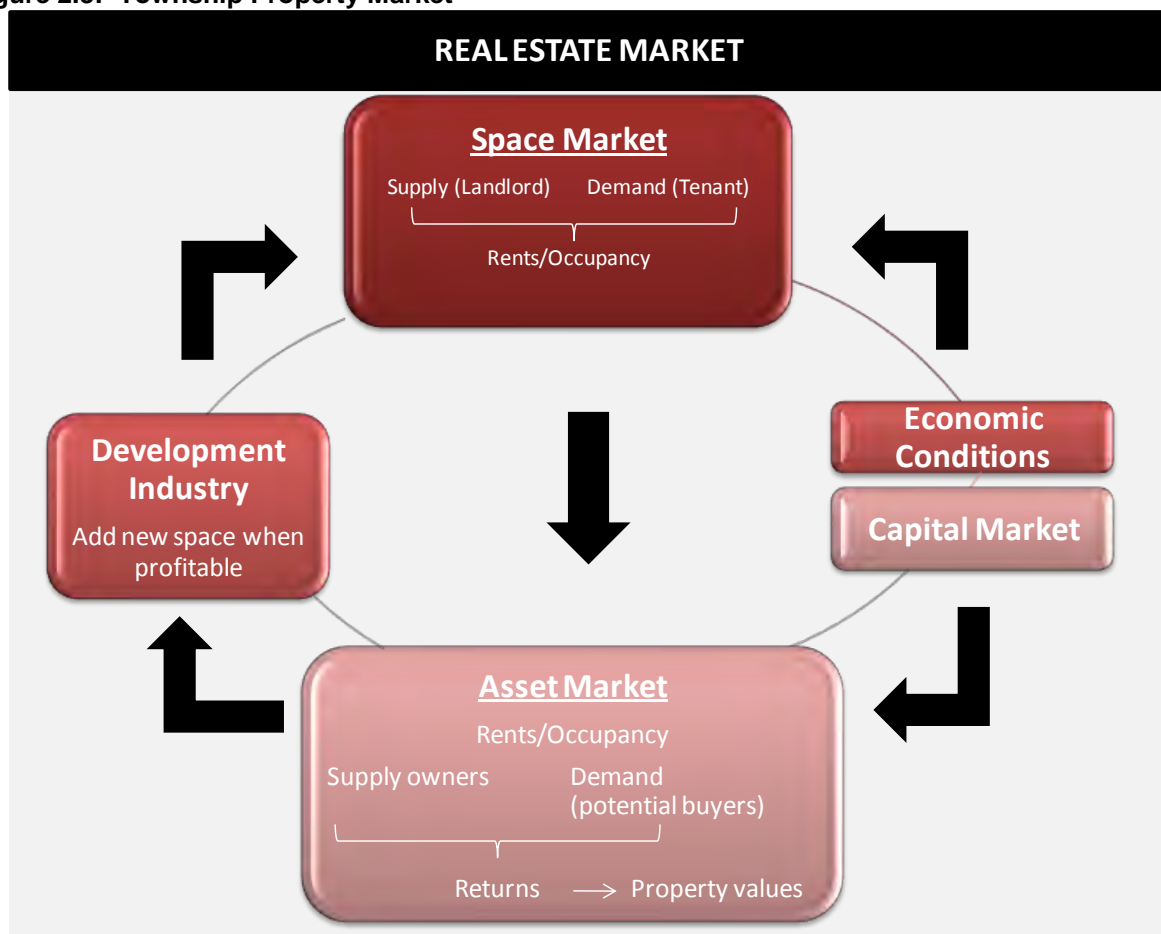
Source: Demacon Ex. TTRI, Understanding the economics of township property markets, 2005

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[6] *Source: TTRI, Understanding the economics of township property markets, 2005*

2.4.1 THE ROLE OF PUBLIC AND PRIVATE SECTOR IN THE MARKET

Market failure occurs when the market fails to distribute resources efficiently. State regulations and other interventions are often said to be distorting the market, which generates debate between the private and public sectors about what market failure is and when the state should intervene to improve distribution and competitiveness. This is also the case with the distribution of land and housing and the regulation of business. Both the private sector and the public sector have positive roles to play, which should lead to economic growth and less poverty[7].

Access Frontiers

The access frontier is defined as the current maximum proportion of people in a society who could access a product or service, given the current configuration of costs and market structure[8].

This segments the market for a product into four groups:
- ✓ Those who use it now;
- ✓ Those who could have it but don't want it;
- ✓ Those who are within the reach of the market now and in the foreseeable future if changes were made in the environment;
- ✓ Those outside of the reach of the market due to poverty[9].

It focuses on how to increase the proportion of the eligible population who can access a product or service, such as land or urban services.

Three zones are distinguished in a market, based on the positions of current usage and current and future access frontiers:

- ✓ Market enablement zone;
- ✓ Market development zone;
- ✓ Market redistribution zone[10].
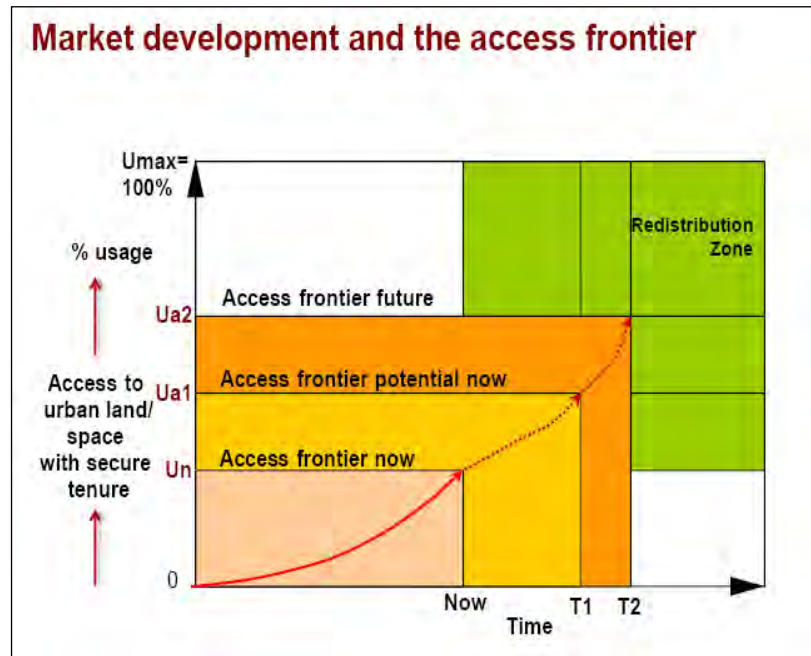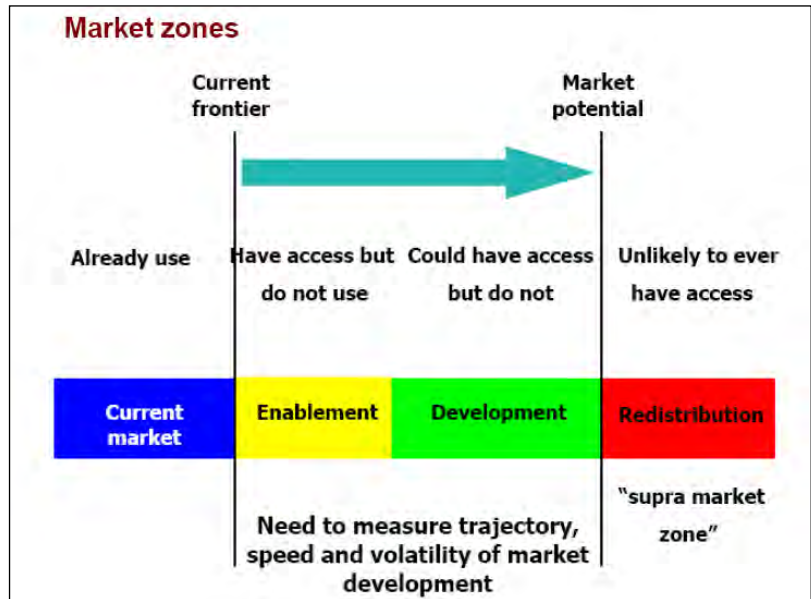
There is a need to move the current access frontier to include more users in order to expand the market. In a healthy market, the frontier will move outwards over time, bringing new consumers into the market.

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[7] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury.
[8] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury
[9] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury
[10] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury

Policies need to be developed to ensure that the frontier is able to move outwards to increase the number of people served.

Those consumers who are beyond the reach of the direct market due to poverty, located within the redistribution zone, require government interventions. Interventions can be investing in infrastructure, good planning, skills development etc, and regulating the market and incentivising the market players where the market is not functioning well.

Government intervention can, however, have various impacts. Government action can crowd out private provision for all time – then the access frontier becomes a ceiling and the market cannot work further for the poor. But, if government intervention can meet the needs of the very poor, while maintaining the incentive for private firms to push the access frontier and remove barriers to market development, then government can reduce its fiscal liability.

2.4.2 TOWNSHIP MARKETS AND ECONOMIC DEVELOPMENT

Township economies consist of three aspects[11]:

✓ **Welfare**, with high levels of dependence on social grants due to high unemployment;
✓ The **external economy**, i.e. employment outside the township;
✓ The **internal economy**, i.e. formal and informal enterprises.

Within townships, transaction costs are high, education is expensive and can be inappropriate, and the area is physically isolated from the city, with limited access to information and opportunities.

The outcomes of township economic development:

The outcomes of township economic development can be discussed in terms of two aspects: increasing net township financial flows and increasing the internal circulation of money in townships.

✓ **Increasing net township financial flows[12]:**
  • Township economic development will increase the demand for township residents in external labour markets;
  • It will enable townships to retain higher income households and to attract new wage earners as residents of townships;
  • It will increase sales to township enterprises from external markets.

✓ **Increasing the internal circulation of money in townships[13]:**
  • It will intercept retail expenditure by township residents at 'in township' centres, reducing the leakage of buying power from these areas;
  • It will contribute to the expansion of the range and competitiveness of goods and services provided by township enterprises;
  • It creates property investment opportunities in the township for residents and commercial enterprises;
  • It increases the number of local jobs within townships.

Increasing the flow of money into and within townships reduces the overall levels of poverty as more people are brought into the functioning market system. If the state enables the necessary supporting structures, the increased flows of income will stimulate markets such as the residential and commercial property markets and promote overall economic development.

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[11] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury
[12] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury
[13] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury

Township economies can be grown in three ways:

- ✓ **Creating new enterprises;**
- ✓ **Attracting investment from outside;**
- ✓ **Growing existing businesses.**

In order to shed some light on the property markets the residential and commercial markets and underlying trends are discussed in the following section.

2.5   TOWNSHIP RESIDENTIAL MARKET

The need for housing or shelter is one of the most basic needs for all humans. When these needs are met, people can afford to spend resources on aspects such as personal and financial security, house improvements etc. This is a process that can create household wealth and ultimately economic growth. The aim is therefore to ensure that the need that people have for houses is catered for, as this will enable households to contribute to the local economy through wealth creation.

According to Bauer (2000), economic development can be created where private property is secure, and this will ensure that investment will follow. Where it is absent less investment is evident. Mises (1921, 1947, 1949) argues that without private ownership there can be no exchange. Without exchange, there are no exchange ratios, i.e., market prices. Without market prices, rational economic calculation is impossible. And without economic calculation, there is no way to ensure that resources will tend to flow to those areas where actors need them most. The institution of private property is what allows for market prices, which in turn enable the rational allocation of resources.

Given the above statements it is evident that property is one of the tools that can create economic wealth for households. Property is a fixed asset that can realise:

1.   Capital growth;
2.   Financial leverage.

Finance can be obtained in a number of ways, of which loans are the most common.. The role of property in capital growth and leveraging is an important aspect and contributes to people's ability to get financing. Leveraging can also be done through a bond on a home while capital growth could ensure additional income over a period of time. Through the provision of finance, entrepreneurs and businesses can leverage the finance by investing in business opportunities.

It is known that the value of property increases over time. At a certain point (A) during the repayment of property, the repayment and value of the asset are at equilibrium. After this point the household has the ability to refinance the home at the current market price and by doing so, increases its spending power.

The additional finance received from the re-financing leverages the income of the household above its current potential. This means that the household can now use the finance to:

- ✓   Increase its demand for durable / luxury goods and services;
- ✓   Finance a new vehicle;
- ✓   Acquire an additional property which can be used for investment purposes;
- ✓   Start a small business;
- ✓   Pay off debt, etc.

Therefore, it is important to acknowledge the performance of the residential market in township areas.

South African residential elements of a township include:

✓ Old township houses;
✓ Hostels;
✓ RDP houses;
✓ Informal settlements;
✓ Vacant land suited for residential purposes;
✓ To a lesser extent, middle income/gap housing.

Financially versus Socially Dominated Markets

Financially dominated markets[14]
Financially dominated markets are generally inaccessible to the poor due to:
✓ High land values;
✓ Land regulations which protect former white areas;
✓ High costs of accessing land (specialist skills and legal costs);
✓ The setting of price dominates the supply and demand of land.

Socially dominated markets
✓ Land markets operate outside traditional formal areas in:
• *informal settlements;*
• *RDP projects;*
• *backyard shacks;*
• *traditional authority areas.*
✓ Social relations are more dominant than financial relations;
✓ Socially dominated markets are organised and functional;
✓ Transactions are highly responsive to state action;
✓ Supply and demand of land is mediated more by social relations.

It is important to understand that the location choices of the poor are limited by a number of factors:

✓ Financially dominated markets in relation to the delivery of mass housing on the periphery;
✓ Financially dominated markets and the individuals' ability to pay – the ability to pay is directly proportional to the freedom to choose;
✓ Primary value for the poor is access to future development - driven by the need to secure a foothold in the city;
✓ Extent of social networks.

LOCATION OF URBAN POOR

Decrease

Land Prices

Increase

Point of Highest Urban Opportunities
•Must have financial resources to gain access
•Housing, Land, Other Uses

Periphery
•Developments Predominantly Determined by State
•Must have social network to gain access
•Location determined by financially dominated markets

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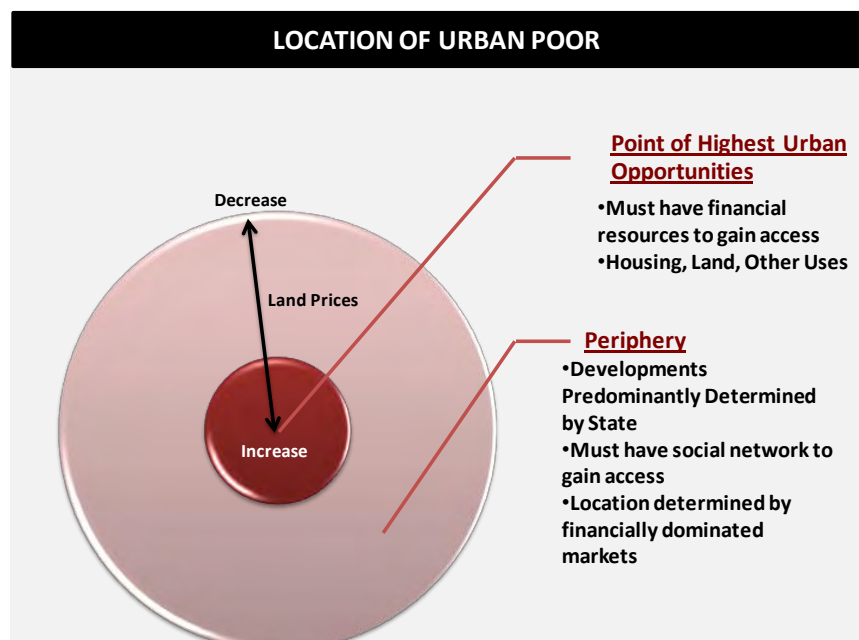
[14] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury

It should also be understood that housing represents a social, economic and financial asset to households in second economy areas.

Housing as Economic Asset – Case of SSLs and HBEs[15]

Housing in South Africa is an economically productive asset, offering opportunities for income generation and poverty alleviation – not using a house as collateral but rather as a business venue.

HOUSING AS AN ASSET

- Social Asset
  - Family Safety Net
  - Citizenship
  - Neighbourhood Consolidation
- Housing Asset
- Financial Asset
  - Inheritance
  - Household wealth
  - Equity
  - Potential access to finance
- Economic Asset
  - Sustainable
  - Income generation
  - Home based enterprises
  - Backyard rentals
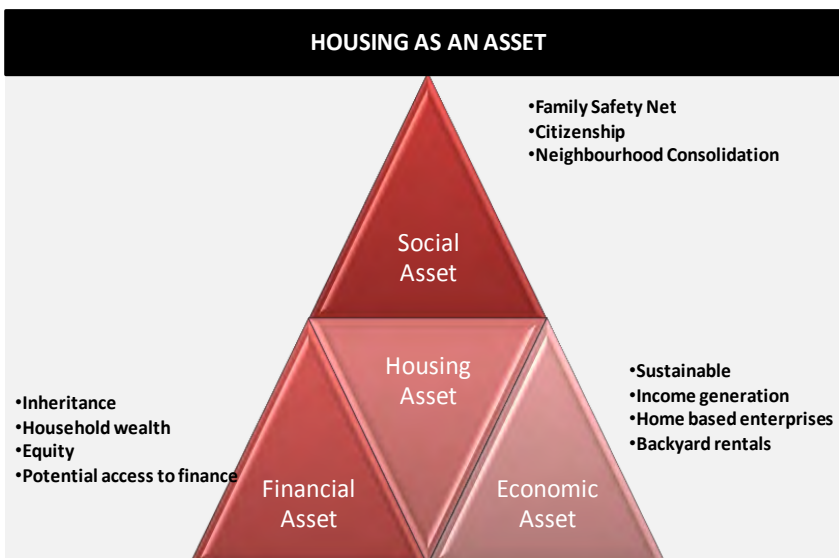
- ✓ Current policy in SA: **recognises the need to support the growth and development of private enterprise** – particularly SME's – home based enterprises (HBEs) and small scale landlords (SSLs);
- ✓ House provides a **critical platform for use by small scale landlords** who supply and manage affordable rental housing and promote income generation and wealth creation;
- ✓ **SSLs provide substantial development outcomes [accommodation and income generation];**
- ✓ SSLs mainly operate in the informal economy – to formalise and grow they need an **enabling environment, access to finance and business support;**
- ✓ SSLs operate in the **private sector**, earning income and profit. Funding provided should encourage and support **investments made to create new stock or improve existing stock**. Government funding should be aligned to incentives rather than subsidisation through the National Housing Subsidy Programme;
- ✓ Up to **355 000 home based enterprises** are active in townships and inner vities – comprising 13% of total population of these areas and generating approximately R476 million per month;
- ✓ Rate of entrepreneurship is low – indicating that there is **untapped opportunity;**
- ✓ Services provided are affordable, personalised and appropriate to local residents;
- ✓ House provides a **critical platform for enterprise/business activity – offering opportunities for income generation and poverty alleviation;**
- ✓ **The house is generally not used as collateral, but as a venue for business;**
- ✓ The limited use of houses means there is untapped opportunity;
- ✓ Value exists in supporting existing HBEs and promoting new HBEs;
- ✓ To achieve this regulation and support for HBEs must be changed.

2.5.1 GENERAL CHARACTERISTICS[16]

- ✓ Many township residents have invested significantly in their homes.
- ✓ Banks have begun to provide bonds in townships, but selling and buying remains difficult because transferring properties is a long and tedious process.
- ✓ Townships are characterised by stable ownership structures with owners having limited interest in selling their houses.
- ✓ Most township houses are paid up and are therefore an affordable, secure place to stay.
- ✓ They may constitute family homes that are often inherited, and the legal owners may feel obliged to keep the house for the benefit of the family.
- ✓ In addition, many use their properties to run businesses and/or to generate income by letting out rooms or backyard shacks.
- ✓ Houses represent social, economic and financial assets.
- ✓ With regard to housing, the emphasis has been on dealing with the backlog for lower-income houses, while commercial housing investment opportunities have often been ignored.

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[15] Source: Shisaka Development Management Services in association with CSIR Built Environment. Housing Entrepreneurs – Key Findings and Recommendations.
[16] Source: TTRI. 2009. Township Renewal Sourcebook. South African Cities Network.

DEMACON
market studies

✓ Many townships have large areas around the town centres that cannot be developed solely as retail areas.
✓ They offer great prospects for small and large investors in the provision of infill and mixed-income housing. This will also help to attract new and retain existing, middle-income earners.

2.5.2 GENERAL TRENDS PERTAINING TO TOWNSHIP RESIDENTIAL STOCK[17]

✓ In terms of market research that Lightstone conducted on current property trends at the lower end of the market in October 2009, the following were found:
✓ Area value bands track house price inflation in areas with different average values: luxury (>R1.5m); high value (R750k-R1,5m); mid-value (R250k-R750k) and affordable (<R250k)

Split of properties by wealth segment
100% = 5 475 104
AFFORDABLE 16.4% ~0.9m
TOWNSHIP 26.9% ~1.5m
MID VALUE 18.9%
SUPER LUXURY 0.9%
UNKNOWN 10.0%
HIGH VALUE 19.8%
LUXURY 7.6%

Segment growth, 2005-current
Unknown 15.21%
Township 7.51%
Affordable 13.53%
Mid value 11.24%
High value 11.26%
Luxury 13.12%
Super luxury 9.83%
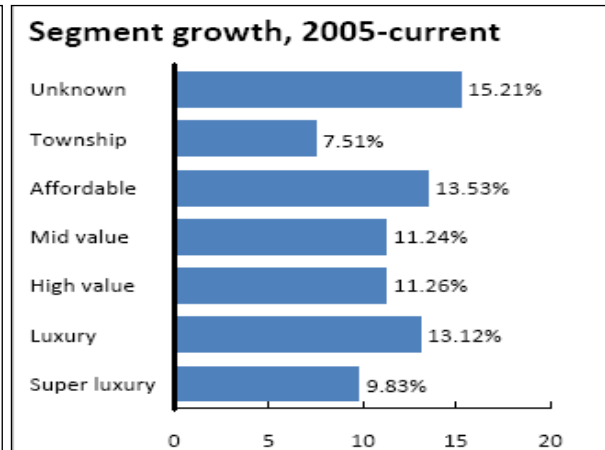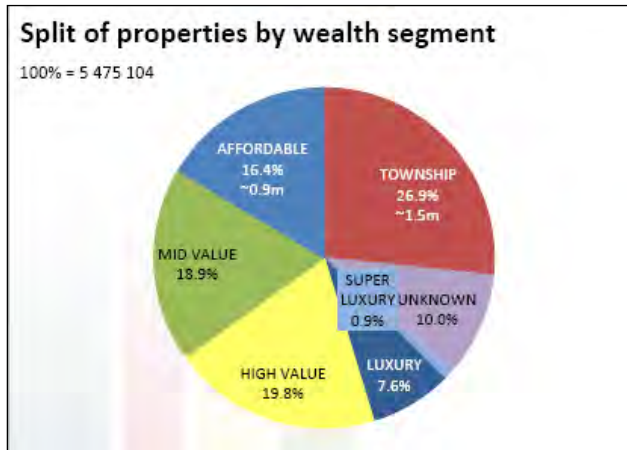
✓ Stock growth has been quite even across the different value segments. Township growth has probably been restrained by density/ growth boundaries.
✓ There has been substantially stronger growth in CBD sectional title than in any of the other 'development' areas.
✓ Although the affordable market's house price inflation is still increasing 10.8% year on year, monthly data is very volatile with the most recent figures indicating that the inflation in this segment will continue to drop.
✓ Higher value markets tend to be much more liquid, probably due to access to finance, while lower value markets are also less likely to trade for cultural or social reasons (e.g. houses remain in family, subsidy housing sales restrictions).
✓ Total monthly residential transfers have dropped from R25k to R10k.
✓ Contrary to popular belief, average transfer values have remained fairly consistent at R750k.

Segment growth, last 24 months
CBD freehold | CBD sectional title | Affordable freehold | Affordable sectional title | Township freehold | Township sectional title

Proportion of properties which transacted since 2007
Township | Affordable | Mid value | High value | Luxury

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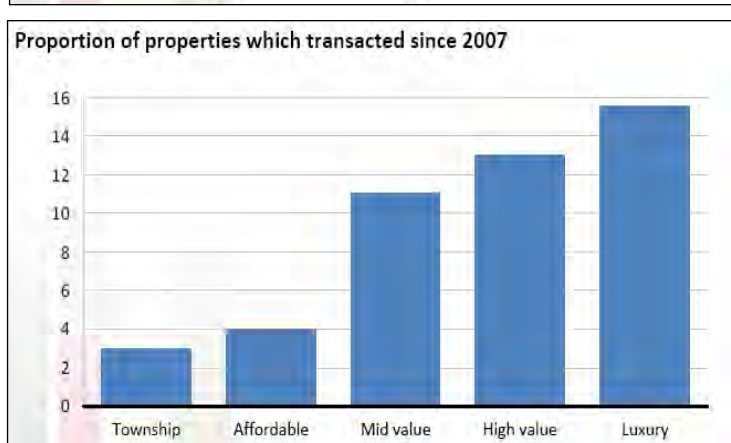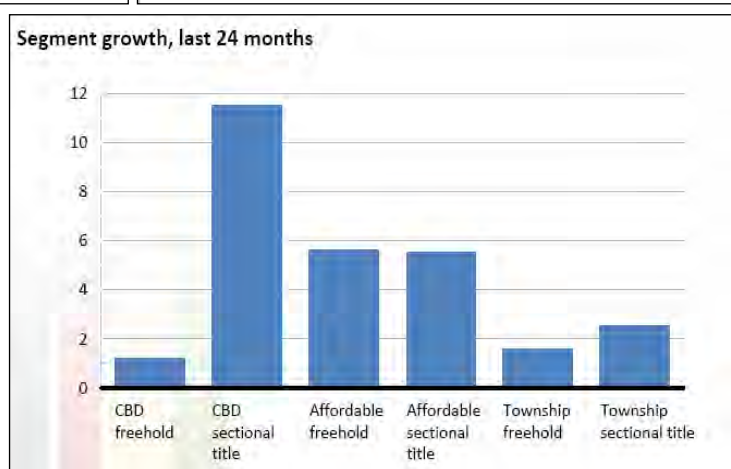
[17] Source: Lightstone, 2009. Property trends at the low end of the Market. Urban LandMark Conference.

✓ Low end volumes have held up relatively well through the cycle, despite a significant drop in 'new affordable' properties post 2003.
✓ The CBD has realised the highest values with township properties also running up strongly over the period.
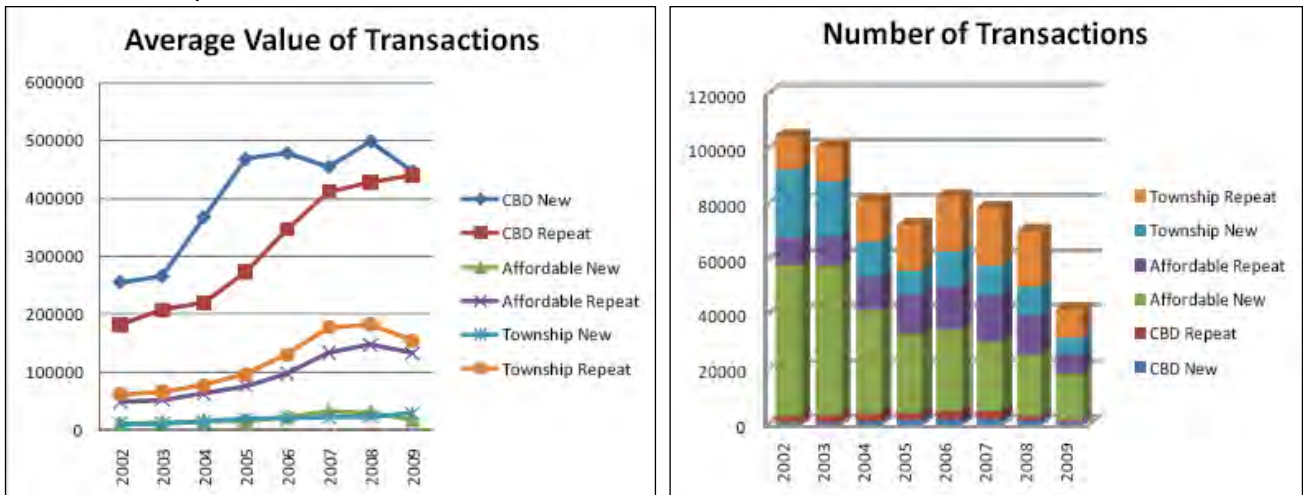
✓ The proportion of bonded transfers has dropped from 75% in late 2007 to 55% in mid-2009.
✓ Bond penetration is very low in the township and affordable segments, owing largely to historical issues like RDP/BNG housing and transfer of 99 year leases.
✓ The mix of reduced transfer values and lower bond penetration has driven total monthly bond value from R12 billion in late 2007 to R4 billion in mid 2009.
✓ While CBD, affordable and township properties only represent 25% of SIE notices, they have a higher 'notice rate' than other properties. Distressed sale discounts are deepest in affordable and township markets, but appear to have stabilised.

2.5.3 COMMON PROBLEMS WITH TOWNSHIP RESIDENTIAL MARKET PERFORMANCE AND DESIRED OUTCOMES[18]

The most common problems with township residential market performance include:

✓ Limiting town planning regulations;
✓ Access to finance;
✓ Limited housing stock for trading;
✓ State imposed 10 year ban on trading;
✓ Commonly traded below market related or construction price;
✓ No formal financing mechanism;
✓ Price determined in social negotiations.

The desired outcomes for a well functioning township residential property market include[19]:

✓ Ability of sellers to secure the real value of their property assets;
✓ Owners should be able to invest in properties and secure the capital gains;
✓ Township residential property markets provide entry and secure tenure to the full span of income groups;
✓ Residential properties can be optimally used to generate incomes and support livelihoods;
✓ Residential tenure can be used to access credit – for improvements and income enhancement purposes.

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[18] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury
[19] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury

2.6   COMMERCIAL MARKETS

Activating the economy[20]

✓ Currently, township economies are marginal and undiversified.
✓ Economic activity in many townships is generally limited to retail (frequently informal), trade, transportation and government services.
✓ Regarding retail and services: according to several studies, township residents spend most of their disposable income outside the townships.
✓ Currently, shopping malls or centres are being developed in many townships. Of these, the Maponya Mall in Soweto is the biggest and sets a high standard.
✓ Malls appear to satisfy the aspirations of residents for a choice of high-quality goods and an exciting shopping experience. Such developments may contribute to retaining existing, or attracting new, middle-income residents to the townships.
✓ A balance between shopping centres, local businesses and informal providers needs to be achieved in these areas – in order to protect small businesses playing a pivotal role in increasing economic opportunities in the area.
✓ Business facilities, access to finance, and crime represent critical blockages to SMME development within these areas – and are also the dominant reasons for trading from home.
✓ Complicated legal issues also hamper economic development as they make access to land (via purchase or lease) difficult.

The commercial market in second economy areas consists of small businesses and formal retail and commercial development. Both of these components are important for economic development in these areas – however, underlying tension exists between them that should be addressed effectively [21]. In order to achieve economic growth in these areas large scale commercial development should be attracted, whilst measurements should be put in place not to choke opportunities for small businesses.

Figure 2.4: Understanding Retail and Commercial Township Markets

Source: Demacon Ex. TTRI, 2010

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[20] Source: TTRI. 2009. Township Renewal Sourcebook. South African Cities Network.
[21] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury

"Survey findings show that the impact of shopping mall development on existing small businesses cannot be explained <u>uni-dimensionally</u>, 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 a third expect a contraction in business turnover. Some regard the newly developed malls as their major competitor while others experienced stiff competition from fellow small businesses."
(BMR - Ligthelm, 2008:2)

The retail market in these second economy nodes is constrained by a number of other factors including[22]:

- ✓ Increased levels of crime;
- ✓ Shortage of parking;
- ✓ Lack of intermodal integration;
- ✓ Unstructured and unmanaged street vendors;
- ✓ Limited banking facilities;
- ✓ Limited business management skills among entrepreneurs;
- ✓ Difficulties with rental business space – poor building maintenance, low rental take-up and high rents;
- ✓ A general distrust of local government as being able to ensure proper management and maintenance of the proposed development area – there is a perceived general lack of public sector commitment.

Future of Township Retail Debated[23]

- ✓ **Demographics** – Metropolitan areas are likely to grow significantly in the medium to long term, with the township areas being the recipients of a lot of this growth - thus the township market is likely to grow over time.
- ✓ **Income** – There are conflicting views: some argue that overall township incomes have not risen (i.e. as incomes rise, residents leave), while other research suggests that the majority of the middle income township residents do not intend to move out.

The importance of small business operations and development are discussed in the next section.

2.7   SMALL BUSINESS DEVELOPMENT AND BSM CLASSIFICATION

Government's commitment is to halve poverty and reduce unemployment to below 15% by 2010[24]. Small business has been identified as a potential powerhouse with the ability to drive South Africa's economic growth. The National Small Business Act and the Accelerated and Shared Growth Initiative of South Africa (AsgiSA) are some of the strategies developed with the objective of bridging the gap between the first and second economies and addressing the deep rooted inequalities that exist therein. The goals of government strategy are, broadly speaking, to: curb unemployment and facilitate job creation, alleviate poverty and ensure redistribution of wealth[25].

Increasing divergence between economic growth and formal employment growth implies that South Africa has experienced jobless or even 'jobloss' growth during the past two decades. The size and growth of the informal sector (second economy) are dictated by the divergence

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[22] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury
[23] Source: ULM, 2009. A Snap Shot of the Township Commercial Property Market.
[24] Source: Shisaka Development Management Services in association with CSIR Built Environment. Housing Entrepreneurs – Key Findings and Recommendations.
[25] Source: FinScope Small Business Gauteng 2006. Pilot Study Survey Highlights including BSM Model.

between population growth and employment growth in the formal economy. The shortage of employment opportunities in the formal sector compels people to enter the informal sector in an attempt to escape the plight of unemployment[26]. Those employed in the informal sector have a slightly better quality of life than the unemployed. Without informal business activity, poverty would be exacerbated.

Finscope conducted a small business survey in 2006 in order to gain a better understanding of small businesses and their classification. A Gauteng Pilot Study was conducted and the overall aim was to gain a comprehensive understanding of the small business market in Gauteng.

The small business market is so varied and diverse that it was necessary to move away from a one dimensional measure that looked purely at the formality, size or legal status of the business. A segmentation tool was created to look at the continuum of small business from the informal street vendors to the more sophisticated and sustainable business practices – the Business Sophistication Measure[27] (BSM).
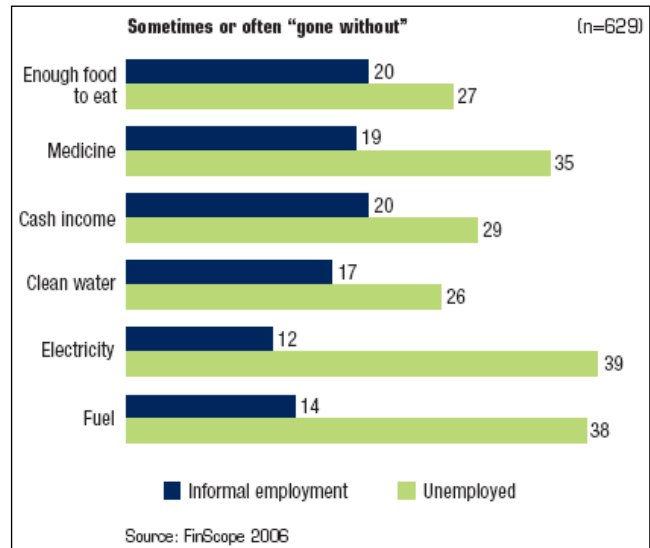
The BSM identified seven different segments and plotted the growth of business sophistication. Table 2.1 provides a summary of these segments and their underlying characteristics – supported by a few figures highlighting some of the characteristics.

Figure 2.5: Industry Sector Participation
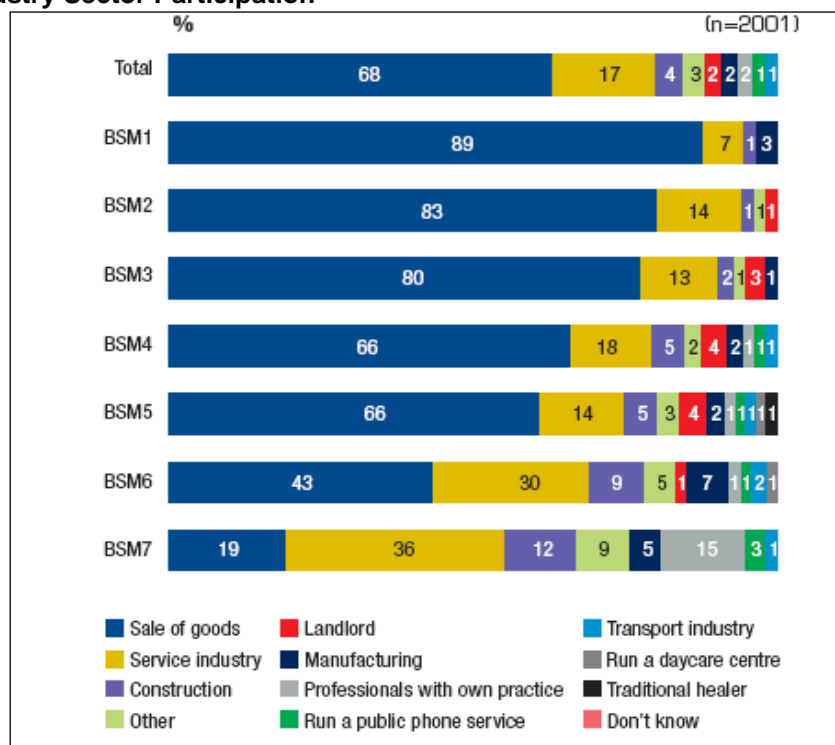
Source: Demacon Ex. FinScope, 2006

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[26] Source: FinScope Small Business Gauteng 2006. Pilot Study Survey Highlights including BSM Model.
[27] Source: FinScope Small Business Gauteng 2006. Pilot Study Survey Highlights including BSM Model.

Table 2.1: BSM Classification and Characteristics[28]

	BSM1	BMS2	BMS3	BMS4	BSM5	BMS6	BMS7
Owner age profile	✓ 16-24 yeas ✓ 20% ✓ 25-34 years ✓ 49%	✓ 16-24 years ✓ 17% ✓ 25-34 years ✓ 49%	✓ 16-24 years ✓ 16% ✓ 25-34 years ✓ 40%	✓ 35-49 years ✓ 37% ✓ 50+ years ✓ 21%	✓ 35-49 years 34% ✓ 50+ years 20%	✓ 35-49 years 39% ✓ 50+ years 24%	✓ 35-49 years 40% ✓ 50+ years 29%
Education	✓ Some primary 4% ✓ Some High School 61%	✓ Primary Complete 15% ✓ Some High School 49%	✓ Some primary 9% ✓ Some High School 50%	✓ Some High School 43% ✓ Matric 30%	✓ Matric 33%	✓ Matric 38% ✓ Post matric Qualification 21% ✓ Post graduate degree 4%	✓ Matric 29% ✓ Post matric Qualification 48% ✓ Post graduate 5% ✓ Bachelors degree 8%
Gender	✓ Male 60% ✓ Female 40%	✓ Male 56% ✓ Female 44%	✓ Male 58% ✓ Female 42%	✓ Male 54% ✓ Female 46%	✓ Male 53% ✓ Female 47%	✓ Male 55% ✓ Female 45%	✓ Male 61% ✓ Female 39%
Employees	✓ Mean 0.1	✓ Mean 0.14	✓ Mean 0.23	✓ Mean 0.47	✓ Mean 0.85%	✓ Mean 1.78%	✓ Mean 8.88%
Average Annual Turnover	✓ R9 113	✓ R10 723	✓ R16 793	✓ R24 710	✓ R27 841	✓ R66 597	✓ R463 747
Location	✓ Informal Area 35% ✓ CBD 15%	✓ Informal Area 46%	✓ Informal 33% ✓ Township 49% ✓ Hostel 8%	✓ Township 61%	✓ Township 60% ✓ CBD 12%	✓ Township 42% ✓ Suburb 48% ✓ Small holding 6%	✓ Township 13% ✓ CBD 19% ✓ Suburb 61% ✓ Small holding 12%
Previous work experience	✓ None 64% ✓ 1 Year 0% ✓ 2 years 11% ✓ 5 years 0% ✓ 10 years 0% ✓ 10+ years 36%	✓ None 52% ✓ 1 Year 0% ✓ 2 Years 12% ✓ 5 years 0% ✓ 10 years 0% ✓ 10+ years 44%	✓ None 48% ✓ 1 Year 0% ✓ 2 Years 6% ✓ 5 years 0% ✓ 10 years 0% ✓ 10+ years 47%	✓ None 41% ✓ 1 Year 0% ✓ 2 Years 0% ✓ 5 years 0% ✓ 10 years 0% ✓ 10+ years 54%	✓ None 33% ✓ 1 year 9% ✓ 2 year 0% ✓ 5 year 0% ✓ 10 year 0% ✓ 10+ year 62%	✓ None 29% ✓ 1 year 9% ✓ 2 year 4% ✓ 5 year 10% ✓ 10 year 8% ✓ 10+ year 63%	✓ None 14% ✓ 1 year 0% ✓ 2 year 0% ✓ 5 year 0% ✓ 10 year 0% ✓ 10+ year 77%
Longevity	✓ 1 year 27% ✓ 3-4 years 18%	✓ 1 year 31% ✓ 3-4 years 22%	✓ 1 year 17% ✓ 10+ years 18%	✓ 1 year 17%	✓ 5-6 years 14% ✓ 10+ years 12%	✓ 5-6 years 13% ✓ 10+ years 14%	✓ 5-6 years 16% ✓ 10+ years 18%
Sector	✓ Trade 89%	✓ Trade 84% ✓ Service 14%	✓ Trade 80% ✓ Service 13%	✓ Trade 65% ✓ Service 18% ✓ Landlord 4%	✓ Trade 66% ✓ Service 14% ✓ Landlord 5% ✓ Construction	✓ Trade 43% ✓ Service 30% ✓ Construction 9% ✓ Manufacturer 7%	✓ Trade 19% ✓ Service 36% ✓ Construction 12% ✓ Professional Practice 15%
Skills	✓ Self taught 91% ✓ Family 7%	✓ Self taught 80% ✓ Family 13% ✓ Previous job 3%	✓ Self taught 76% ✓ Family 14% ✓ Previous job 6%	✓ Self taught 72% ✓ Previous job 9% ✓ At school 3%	✓ Self taught 61% ✓ Family 8% ✓ Previous job 19% ✓ At school 6%	✓ Self taught 46% ✓ Family 13% ✓ Previous job 18% ✓ Training Prog 17% ✓ Mentor/Advisor 3%	✓ Self taught 26% ✓ Family 16% ✓ Previous job 39% ✓ Training prog 29% ✓ University 16%
Citizenship	✓ Not SA Citizen 27%	✓ Not SA Citizen 9%	✓ Not SA Citizen 94%	✓ Not SA Citizen 94%	✓ Not SA citizen 10%	✓ SA Citizen 98%	✓ SA Citizen 97%
Facilities	✓ No ownership of item in the business 79% ✓ Running water 2%	✓ Running water 27% ✓ Electricity 18%	✓ Running water 75% ✓ Outside toilet 61% ✓ Water 18%	✓ Running water inside 42% ✓ Electricity 86%	✓ Run water 81% ✓ Electricity 93% ✓ Geyser 45% ✓ Kitchen 73% ✓ Storeroom 2%	✓ Running water 77% ✓ Electricity 94% ✓ Storeroom 54%	✓ Run Water 73% ✓ Electricity 92% ✓ Security systems 46% ✓ Reception 27%

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[28] Source: Demacon Ex. FinScope Small Business Gauteng 2006. Pilot Study Survey Highlights including BSM Model.

	BSM1	BMS2	BMS3	BMS4	BSM5	BMS6	BMS7
Legal status/Registration	✓ Traders 99% ✓ Unregistered individuals 1%	✓ Traders 92% ✓ Unregistered individuals 7%	✓ Traders 74% ✓ Unregistered individuals 18%	✓ Traders 64% ✓ Unregistered individuals 24%	✓ Traders 58% ✓ Unregistered individuals 29% ✓ Sole Prop 105	✓ Traders 30% ✓ Unregistered individuals 41% ✓ Sole Prop 15%	✓ Traders 1% ✓ Unregistered individuals 5% ✓ Close corporation 52% ✓ Partnership 15%
Premises	✓ Own 6% ✓ Rent 4% ✓ Use 89%	✓ Own 37% ✓ Rent 59% ✓ Use 51%	✓ Own 59% ✓ Rent 13% ✓ Use 25%	✓ Own 70% ✓ Rent 21% ✓ Use 8%	✓ Own 64% ✓ Rent 26% ✓ Use 10%	✓ Own 68% ✓ Rent 22% ✓ Use 8%	✓ Own 55% ✓ Rent 33% ✓ Use 11%
Business technology	✓ Own cell phone ✓ 20%	✓ Own cell phone ✓ 44%	✓ Own cell phone ✓ 60%	✓ Own cell phone ✓ 70%	✓ Own a cell phone 76% ✓ Landline 27%	✓ Own a cell phone 86% ✓ Landline 46% ✓ Computer 24%	✓ Computer 77% ✓ Email/Internet 58% ✓ Website 20% ✓ Photostat machine 55% ✓ Credit card machine 23%
Trans[ort	✓ 0%	✓ 0%	✓ 0%	✓ Company car 2%	✓ Company car 11%	✓ Company car 27%	✓ Company car 49%
Planning	✓ 0%	✓ 0%	✓ Budget 4% ✓ Marketing plan 1%	✓ Budget 8%	✓ Budget 14% ✓ Witten plan 2% ✓ Strategy 4% ✓ Mission 1%	✓ Budget 27% ✓ Financial records 10% ✓ Witten Plan 10% ✓ Marketing Plan 6% ✓ Strategy 10% ✓ Mission 2%	✓ Budget 57% ✓ Financial records 47% ✓ Witten Plan 30% ✓ Marketing Plan 36% ✓ Strategy 30% ✓ Mission 19%
Finance ✓	✓	✓	✓	✓	✓	✓	✓
Personal	✓ Personal Bank 21% ✓ Unbanked 79%	✓ Personal Bank 36% ✓ Unbanked 64%	✓ Personal Bank38% ✓ Unbanked 62	✓ Personal Bank 70% ✓ Unbanked 30%	✓ Personal Bank 82% ✓ Unbanked 18%	✓ Personal Bank 92% ✓ Unbanked 8%	✓ Personal Bank 100% ✓ Unbanked 0
Business	✓ Business Banking 0% ✓ Unbanked 100%	✓ Business Banking 13% ✓ Unbanked 87%	✓ Business Banking 23% ✓ Unbanked 77%	✓ Business Banking 47% ✓ Unbanked 53%	✓ Business Bank 64% ✓ Unbanked 36%	✓ Business Bank 81% ✓ Unbanked 19%	✓ Business Bank97% ✓ Unbanked 3%
Business Transaction	✓ Transaction/Savings Account 100%	✓ Transaction/Savings Account 90%	✓ Transaction/Savings Account 91%	✓ Transaction/Savings Account 92%	✓ ATM 30% ✓ Cell phone Banking 5% ✓ Debit Card 11% ✓ Current/ Checque Account 21%	✓ Current/Checque Account 29% ✓ ATM 29% ✓ Debit Card 13% ✓ Fixed Deposit Account 5%	✓ Interne 37% ✓ Credit Card 38% ✓ Current/Checque Account 67% ✓ Overdraft 23% ✓ Garage Card 21% ✓ Vehicle Finance 19% ✓ Call/ Investment Account 16% ✓ Fixed Deposit Account 16% ✓ Cell phone 17% ✓ Debit Card29% ✓ Mortgage 7% ✓ ATM Card 43%

Figure 2.6: Age of Business

Figure 2.7: Average Annual Turnover
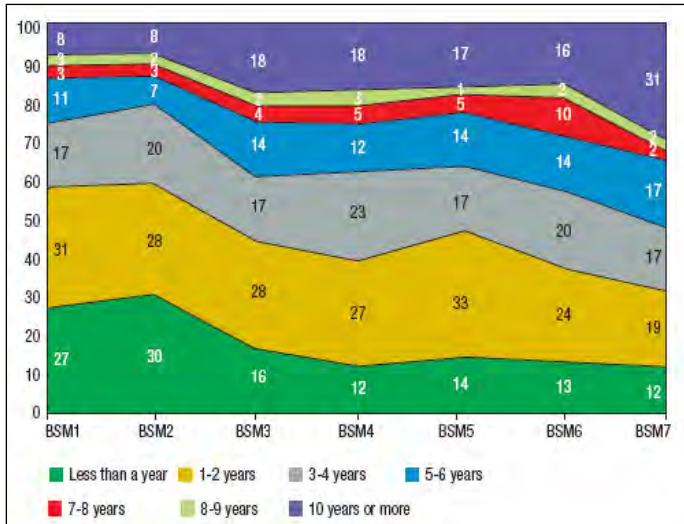
Source: Demacon Ex. FinScope, 2006
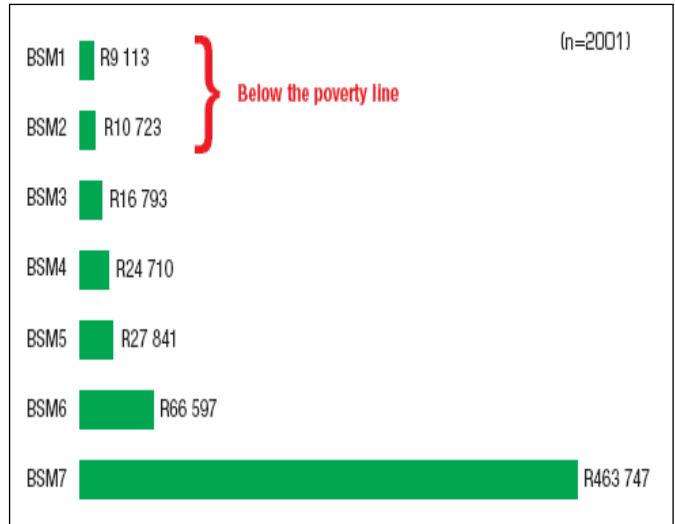
Figure 2.8: Business Training

Figure 2.9: Financial Records

Source: Demacon Ex. FinScope, 2006
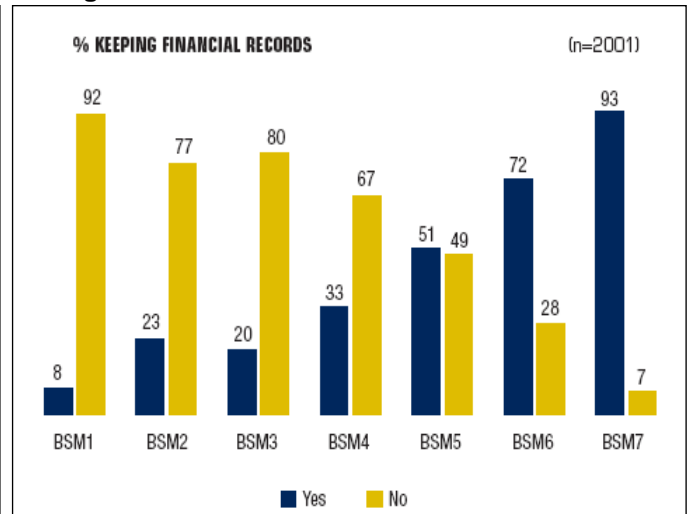
A key objective of the research was to gain an understanding of the market and the potential for growth within it, to assess opportunities for innovation in product and delivery and to identify where businesses are showing signs of operating effectively and growing. This is identified as the zone of transition[29].

2.7.1   ZONE OF TRANSITION

Support for the lower BSM entities will require longer term strategies and significant resources, whilst the higher BSMs are likely to be adequately equipped and stimulated through shorter term initiatives. Undoubtedly, all will benefit from a supportive regulatory environment.

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[29] Source: FinScope Small Business Gauteng 2006. Pilot Study Survey Highlights including BSM Model.

Figure 2.10: Small Business Development and Zone of Transition
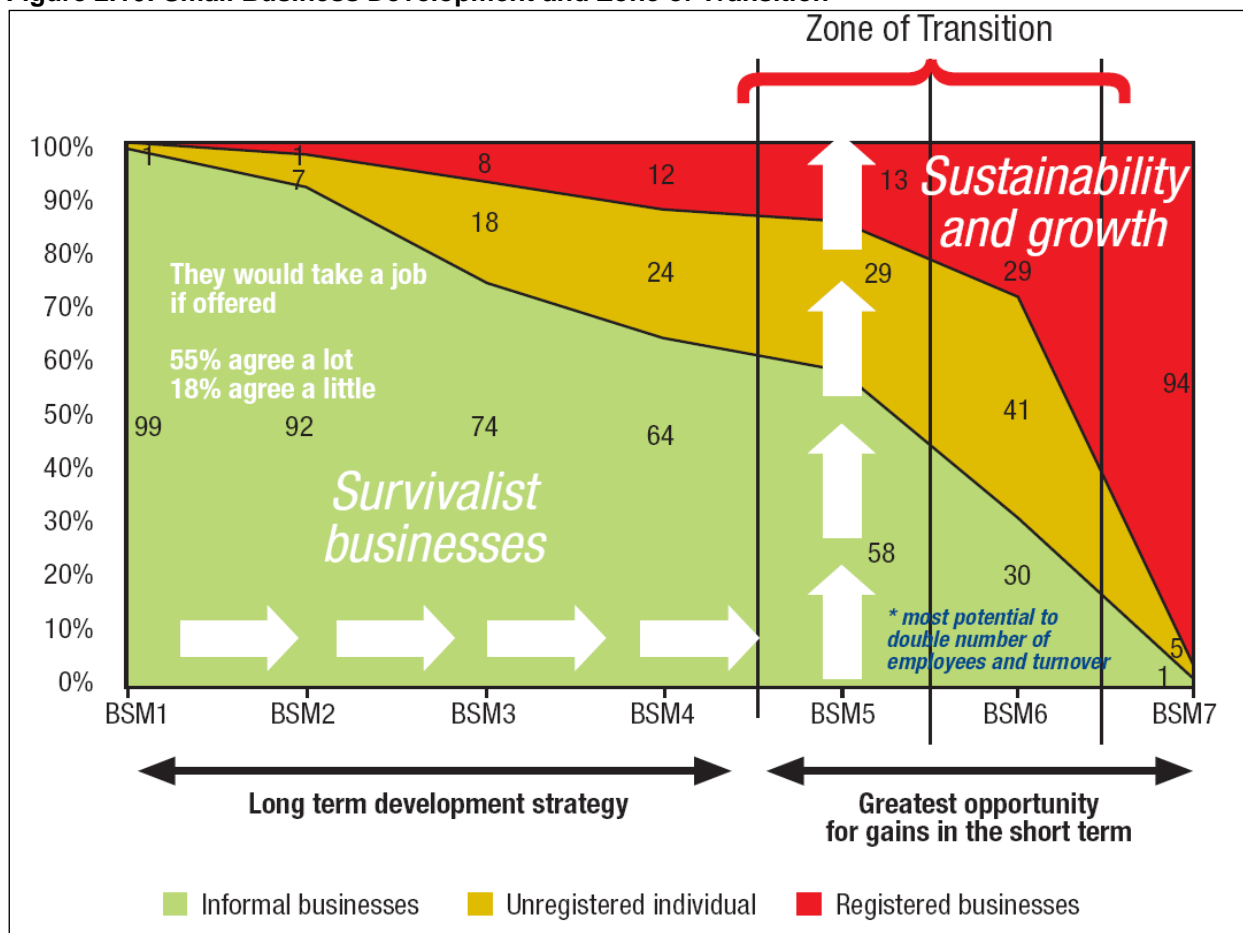
Source: Demacon Ex. FinScope, 2006

Considerations:

Social and Economic[30]
- ✓ Many businesses are "survivalist" or "breadline" businesses, with as many as 220 000 business owners in Gauteng generating a turnover below the current poverty line.
- ✓ Black owned and women owned businesses are not responding to opportunities in the broader economy and exist on the fringe of what has been labelled as the first economy.
- ✓ Only a small percentage of business owners are currently generating employment opportunities for others - these are registered businesses.
- ✓ Attention should be paid to business owners found in the zone of transition where businesses are achieving greater degrees of sophistication.

Access to Finance[31]
- ✓ Banks are currently servicing the upper sector of the small business market via a wide range of products.
- ✓ There is a real need for banking services. Business owners are looking for financial services that are conveniently located and are prepared to bank with whoever will accept them.
- ✓ Financial institutions need to streamline offerings and segment their markets to provide products that are appropriate and affordable.
- ✓ The incidence of loans and borrowing from the formal financial sector is very low.
- ✓ Family and friends are the main source of financial borrowing.
- ✓ The amount of money used to start a business is generally very low (below R500).

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[30] Source: FinScope Small Business Gauteng 2006. Pilot Study Survey Highlights including BSM Model.
[31] Source: FinScope Small Business Gauteng 2006. Pilot Study Survey Highlights including BSM Model.

Policy and Intervention[32]

✓ There is a clear skills shortage:
- There is a relationship between education and skills and the sustainability of the business;
- A large number of people in the small business market have taught themselves the skills they use in the business;
- Current initiatives are aimed at the upper tiers of the market;
- Support initiatives should look not only at business and technical skills but at developing a "mindset" to change the perceived levels of opportunity;
- A combination of skill and motivation is required to take advantage of business opportunities.

✓ Awareness of support initiatives is low:
- VAT registration only applies to a small number of businesses;
- The main reason for non-compliance is that it costs too much;
- Government procurement initiatives should be linked to support services;
- Partnerships between big and small business should be encouraged.

2.7.2 EFFECTING A CHANGE IN SMALL BUSINESS EVOLUTION AND DEVELOPMENT[33]

✓ Black owned and women owned businesses are currently not able to capitalise on opportunities in the broader economy – they tend to exist on the fringe of what has been labelled the first economy. Substantial initiatives will be required to effect a change for these entities.

✓ Government procurement initiatives could be linked with support services or partnerships between big and small business. A strategy of firm linkages could assist small business in "learning by doing" and "learning whilst earning".

✓ Business skills need to be included in the educational curriculum to help change the perceived levels of entrepreneurial opportunity. A combination of both motivation and skills is required for people to take effective advantage of business opportunities.

✓ Although an entrepreneurial mindset cannot be learned, education could play a role in developing a mindset that is not averse to competition and risk taking.

✓ Radical innovations are required from policy makers and financial service providers to develop a beneficial environment and increase the impetus for small business.

✓ Government support mechanisms are being used by only 8% of small businesses, with Umsobomvu being far and away the market leader in providing business support.

✓ Given the widespread desire for business development services (BDS), there is a need to examine how to make the delivery mechanisms for BDS more effective.

✓ With a quarter of small businesses reporting crime and theft as a problem, government needs to make business locations safer. Initiatives that allow traders to bank the day's takings in the same secure environment might be worth exploring.

✓ Black economic empowerment (BEE) awareness is extremely low. Government agencies seeking to promote BEE initiatives, for example, through procurement contracts, will want to reflect on how to communicate the BEE message more effectively – for example, through cell phones.

✓ 69% of small businesses operate from home (including garage, back room or rented accommodation). Government support for home-based businesses specifically (including the lifting of restrictions on the use of residential environments for business purposes) is paramount.

✓ As VAT registration applies only to a small number of businesses (BSM 5 and above), the government's easing of the tax and regulatory burden on small businesses should be accelerated.

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[32] Source: FinScope Small Business Gauteng 2006. Pilot Study Survey Highlights including BSM Model.
[33] Source: FinScope Small Business Gauteng 2006. Pilot Study Survey Highlights including BSM Model.

DEMACON
market studies

2.8   INPUTS TO SUCCESSFUL TOWNSHIP DEVELOPMENT

Four critical inputs are required to ensure successful township development: land, capital, human resources and skills, statutory approvals and authorisations.   These inputs are dispersed between three sectors: local government/municipality, national and provincial government and the private sector and NGOs.

For township development to be successful these inputs should be mobilised and committed, should happen at the right place and in the right sequence.

Figure 2.11: Inputs to Successful Township Development
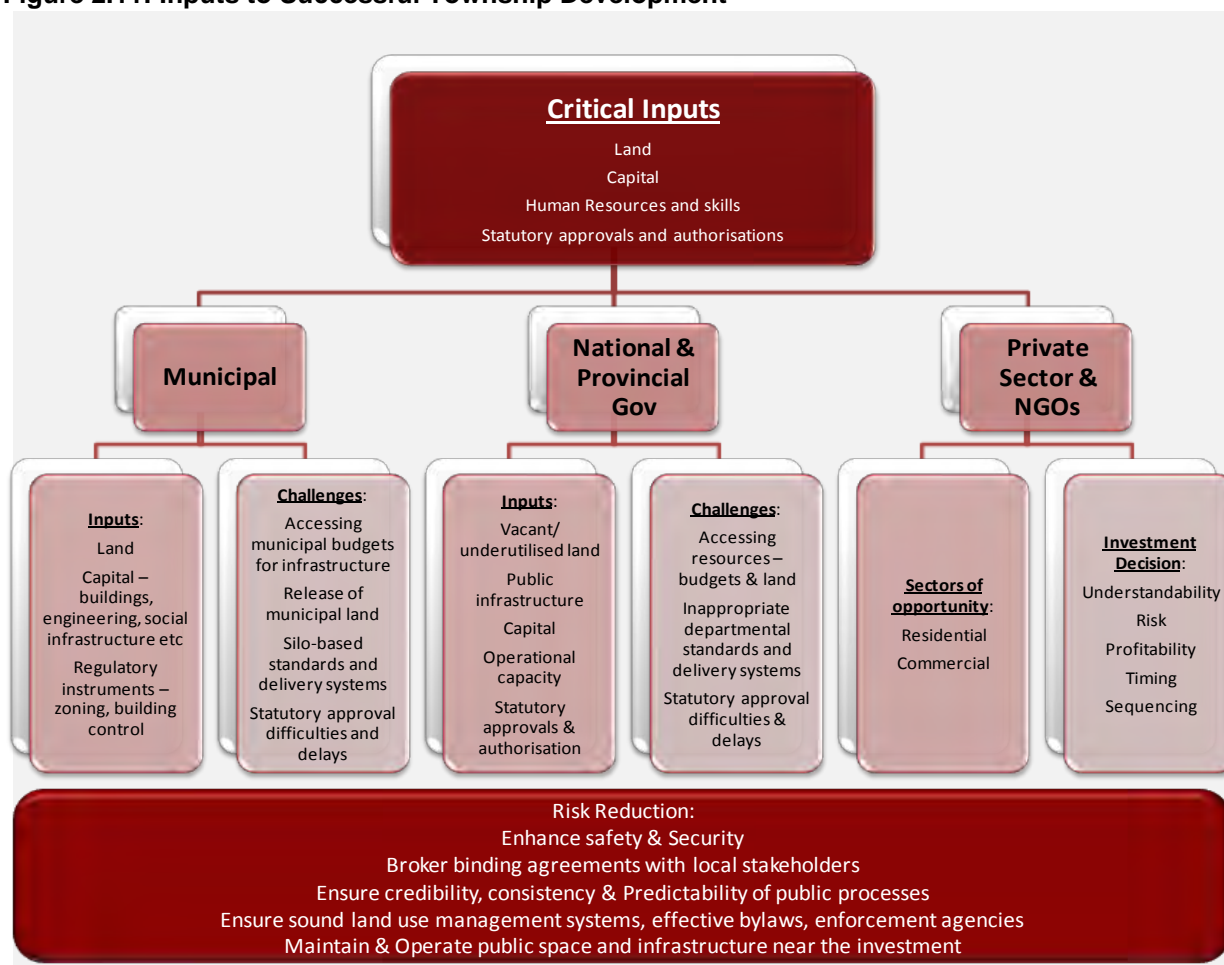
Source: Demacon Ex. TTRI, 2010

2.9   SYNTHESIS

Township transformation is evident and has taken place particularly over the past ten years. During this time, private sector investment has increased in these areas, increasing opportunity, choice and access to the mass consumer market.

Township commercial markets, however, experience high levels of competition from elsewhere in the city. Therefore, township markets must be competitive, offering investors specific market advantages.

Commercial markets occur in an institutional environment. Planning and development of retail space in these areas requires resources, political commitment and ongoing management.

Development of the formal commercial and retail sector in these second economy nodes must secure the growth and interests of small businesses through: training, improved access to

credit, maximising BEE opportunities and partnership arrangements between large and small businesses[34]. Overall, public and private sectors should work together to ensure successful township economic development.

The subsequent chapter provides an overview of changes that took place within the consumer landscape over the past few years – contributing towards commercial development within these second economy areas.

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[34] Source: TTRI, 2009. Unlocking Township Markets. Department of Treasury

CHAPTER THREE: CHANGES IN THE CONSUMER LANDSCAPE

3.1   INTRODUCTION

Several changes have occurred within the national consumer landscape. Of specific importance here the impact of the rising black middle class and the increased government support available by way of social grants which are intended to curb poverty. These changes have had a positive impact on increased and sustained demand for commercial products and services within these second economy landscapes. This chapter highlights the dominant changes within the consumer landscape and the impact on the commercial market.

3.2   CHANGES IN THE CONSUMER LANDSCAPE IN SECOND ECONOMY AREAS

This section is addressed in terms of:

- ✓ Income, expenditure and LSM trends;
- ✓ Social upward mobility, demographic shifts and migration trends;
- ✓ Artificial effect of remittances and government grants;
- ✓ Synthesis.

3.2.1   INCOME, EXPENDITURE AND LSM TRENDS

A number of changes have taken place with regard to income, expenditure and living standard measurement (LSM) since 1994. Subsequent paragraphs indicate the current socio-economic pyramid and changes since 2000.

Figure 3.1: Income per Capita per Day
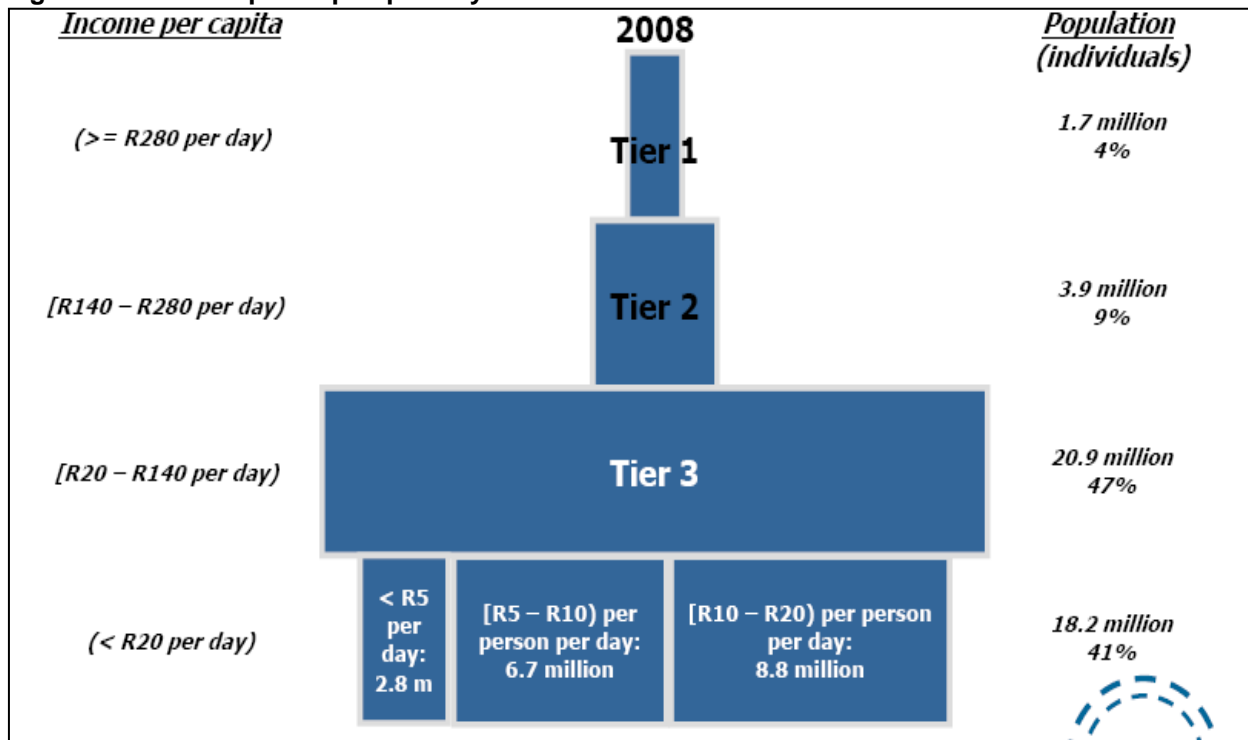
Source: Demacon Ex. Eighty 20, 2009
Note: Based on AMPS 2008 RA – Household, Eighty 20 Analysis
Per capita income is calculated using the midpoint of the household income bands provided by AMPS. Household size is adjusted for the number of children (children under 10 count as half an adult). Totals may not add up due to rounding.

Findings: (Figure 3.1)

✓ It is evident that 18 million South Africans live on less than R20 per day. Of these, almost three million live on less than R5 per day.

✓ Approximately 20 million live on between R20 and R140 per day, nearly four million live on R140 to R280 per day and nearly two million on more than R280 per day.

However, per capita income has increased over the past eight years, following a positive trajectory – refer to Figure 3.2. This has resulted in a noticeable and relatively stable shift in the economic pyramid since 2000. From this it is evident that the South African consumers have become richer[35].

Figure 3.2: Income per Capita, 2000 to 2008
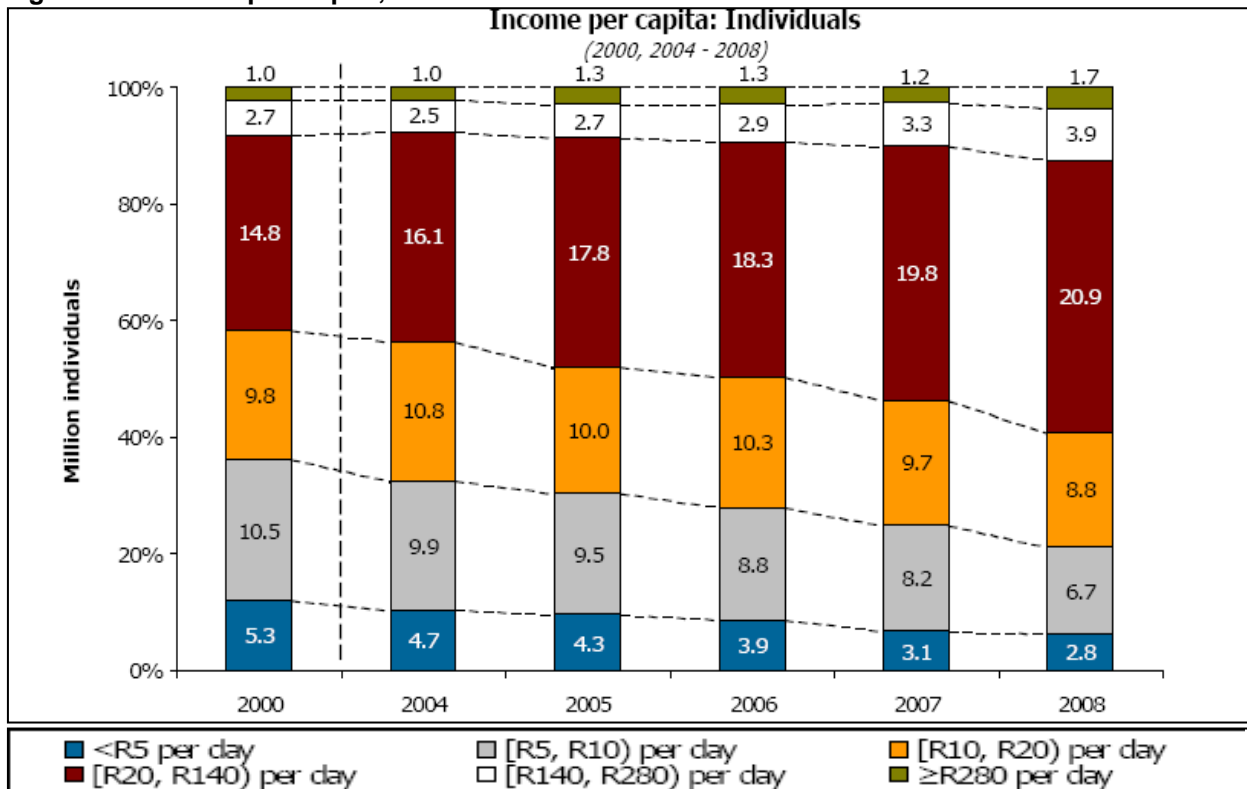
Source: Demacon Ex. Eighty 20, 2009
Note: Based on AMPS RA Household, 2004-2008
Actual amounts have been inflated to June 2008 Rands using CPIX Inflators.

In terms of the racial distribution throughout the pyramid it is evident that the middle and the top of the pyramid are increasingly racially diverse – refer to Figure 3.3. However, the lower levels of the pyramid are not and are largely made up of Blacks, Coloureds and Asians (BCA)[36].

Tier 1 includes 34% of Blacks, Coloureds and Asians – reflecting a market segment that earns more than R280 per day, the second tier include 51% of Blacks, Coloureds and Asians. This constitutes 901 000 BCA households. The largest segment of Tier 3 is made up by the BCA population segment and the lowest tier is completely made up by the BCA[37].

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[35] Source: Eighty 20. 2009. The Bottom of the Pyramid in South Africa.
[36] Source: Eighty 20. 2009. The Bottom of the Pyramid in South Africa.
[37] Source: Eighty 20. 2009. The Bottom of the Pyramid in South Africa.

However, a definite trend has taken place in the upward movement of the BCA group – refer to Figure 3.4. A black middle class has emerged since 2000 – increasing its share from just above 20% of Tier 3 to just more than 40% of Tier 3 in 2008. Its share in terms of Tier 4 has also increased to nearly 25% in 2008.

Figure 3.3: Racial Profile of the Socio-Economic Pyramid
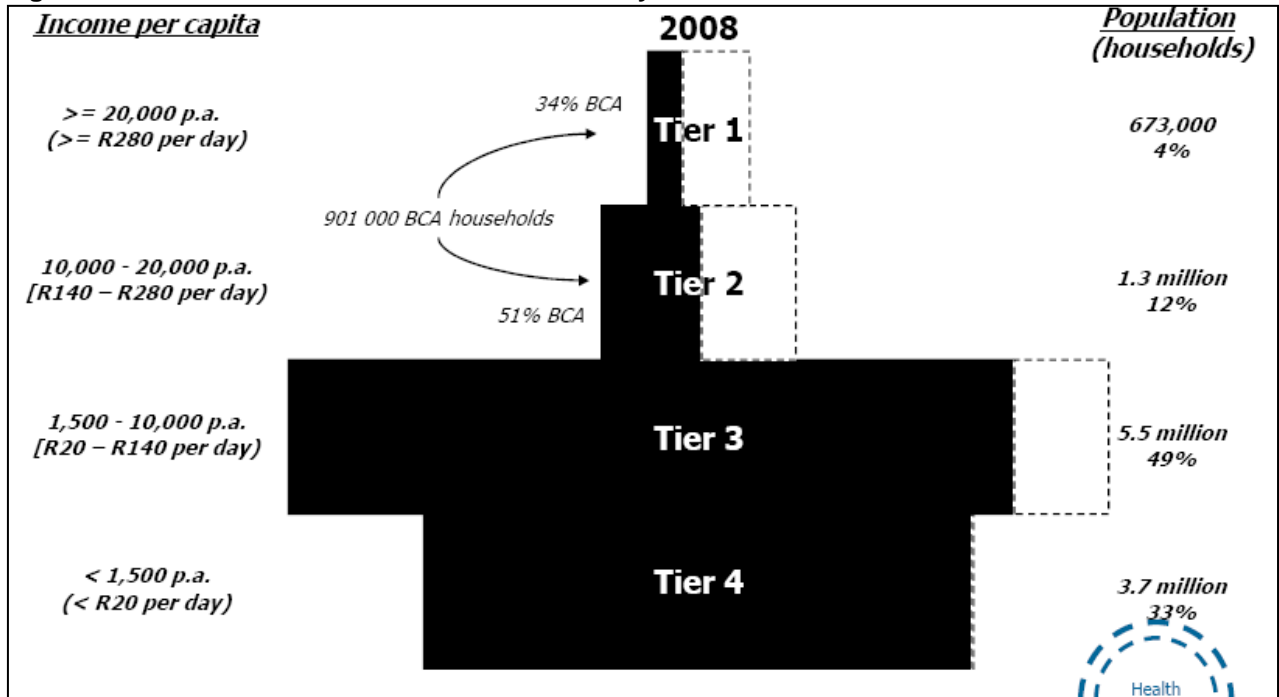
Source: Demacon Ex. Eighty 20, 2009
Note: Data based on AMPS 2008 RA – Household, Eighty 20 analysis

Figure 3.4: Per Capita Income and Race, 2000 and 2008
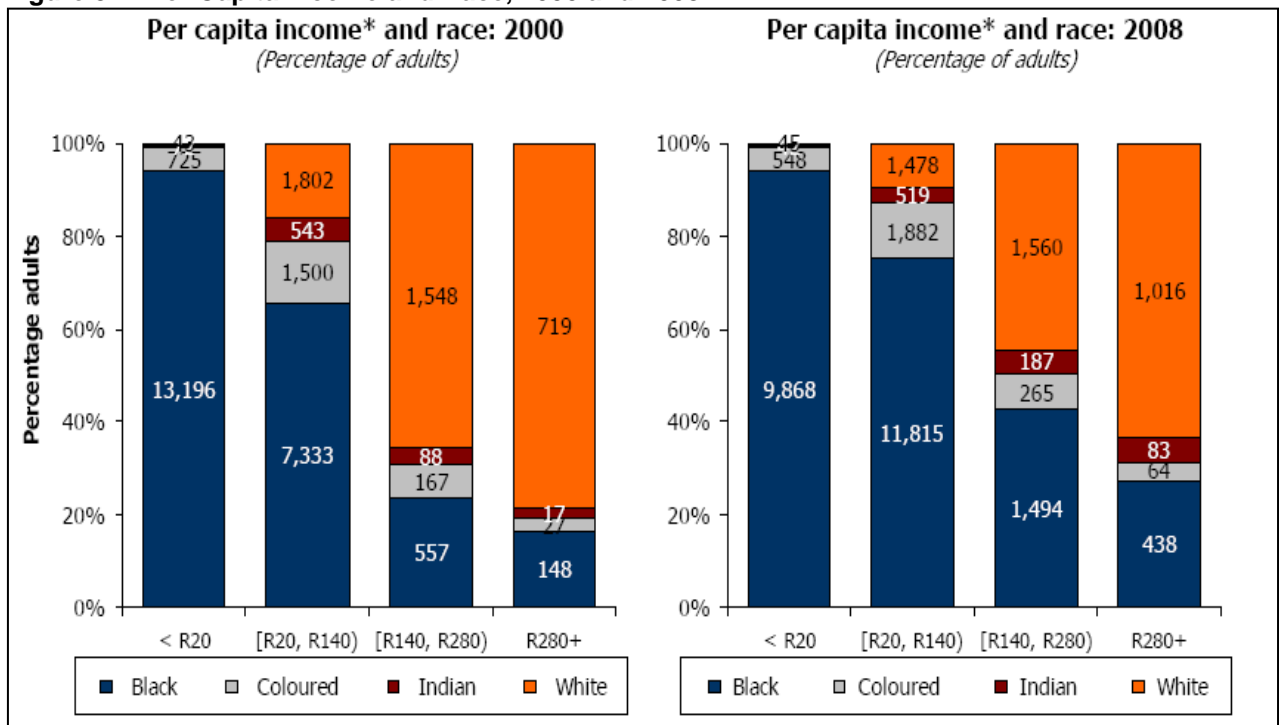
Source: Demacon Ex. Eighty 20, 2009
Note: Data based on AMPS, 2000
Mid-points of household monthly income bands used as average household income in calculation of per capita income. Important to note that HH monthly income band sizes are not exactly the same in AMPS 2000 and 2008 – data therefore not directly comparable. 2000 income values are inflated up to 2008 values using CPIX.

This trend is also apparent from LSM trends between 2006 and 2008 – refer to Table 3.1.

The LSM index is an internationally recognised instrument designed to profile a market in terms of a continuum of progressively more developed and sophisticated market segments. The LSM system is based on a set of marketing differentiators, which group consumers according to their standard of living, using criteria such as degree of urbanisation and ownership of assets (mainly luxury goods).

Essentially, the LSM system is a wealth measure based on standard of living, rather than income alone. The market segmentation continuum is divided into ten LSM segments, where LSM 1 signifies the lowest living standard and LSM 10+ signifies the highest living standard.

The LSM categories are defined and weighted in terms of the following 29 variables:

1. Hot running water	16. Have a deep freeze
2. Fridge/freezer	17. Water in home or on stand
3. Microwave oven	18. Have MNet and/or DStv
4. Flush toilet in house or on plot	19. Have a dishwasher
5. VCR in household	20. Metropolitan dweller
6. Vacuum cleaner/floor polisher	21. Have a sewing machine
7. Have a washing machine	22. DVD player
8. Have a computer at home	23. House/cluster/ town house
9. Have an electric stove	24. 1 or more motor vehicles
10. Have TV set(s)	25. No domestic worker
11. Have a tumble dryer	26. No cell phone in household
12. Have a Telkom telephone	27. 1 Cell phone in household
13. Hi-fi or music centre	28. None or only one radio
14. Built-in kitchen sink	29. Living in a non-urban area
15. Home security service	

It is important to note that the LSM system is widely applied internationally for marketing and branding purposes, and that it is therefore not an instrument developed locally to label or stereotype certain market segments.

Table 3.1: LSM Trends, 2006 to 2008

	Penetration			Ave HH Income		
	2006RA	**2007B**	**2008A**	**2006RA**	**2007B**	**2008A**
SU-LSM 1	6.1	4.1	3.4	R 999.06	R 1,028.15	R 1,080.45
SU-LSM 2	12.2	9.8	8.7	R 1,214.18	R 1,275.25	R 1,401.29
SU-LSM 3	12.6	10.8	9.4	R 1,521.09	R 1,638.06	R 1,794.81
SU-LSM 4	14.9	13.8	14.6	R 1,939.68	R 2,140.55	R 2,535.68
SU-LSM 5	13.5	14.5	15.5	R 2,681.45	R 2,952.07	R 3,122.33
SU-LSM 6	14.4	17.3	17.9	R 4,404.25	R 5,096.28	R 5,386.00
SU-LSM 7	7.8	9.3	9.4	R 6,840.77	R 8,320.26	R 8,667.33
SU-LSM 8	5.7	6.7	6.9	R 9,251.86	R 11,227.27	R 12,336.69
SU-LSM 9	6.7	7.6	8.1	R 12,557.86	R 14,740.73	R 16,296.05
SU-LSM 10	6	6.1	6.1	R 19,817.03	R 20,902.03	R 23,053.57

Source: Demacon Ex. SAARF, 2009
Note: RA, B and A refer to the specific SAARF AMPS datasets used in the compilation of LSM trends.
Significant increase on 2007B, Significant decrease on 2007B

It is evident that there has been a significant decline in the LSM 1 to 3 categories and a significant increase in the LSM 5 and 6 categories since 2006. This is clearly visible in Figure 3.5.

In terms of provincial LSM profiles it is evident that provinces with large rural segments are inclined to a more dominant presence of lower LSM households. The more urban the province the higher the LSM profiles – Refer to Map 3.1. Rural areas generally offer limited employment opportunities, lower levels of formal residential accommodation, lower levels of infrastructure and access to services.

Figure 3.5: LSM trends, 2006 to 2008
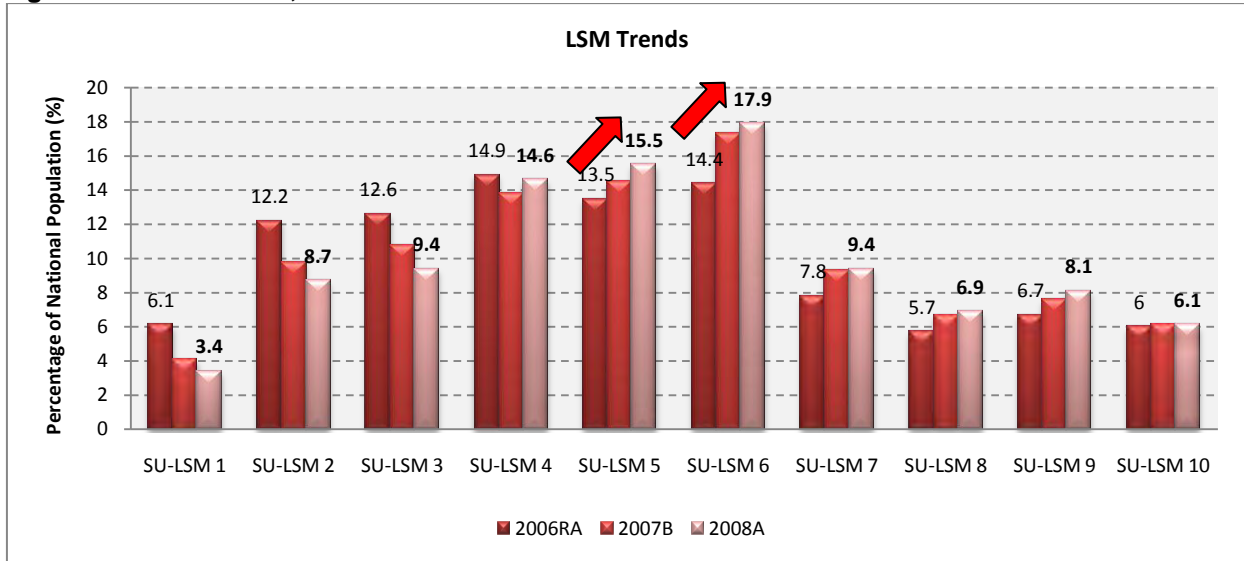
Source: Demacon Ex. SAARF, 2009

Map 3.1: SU-LSM by Province
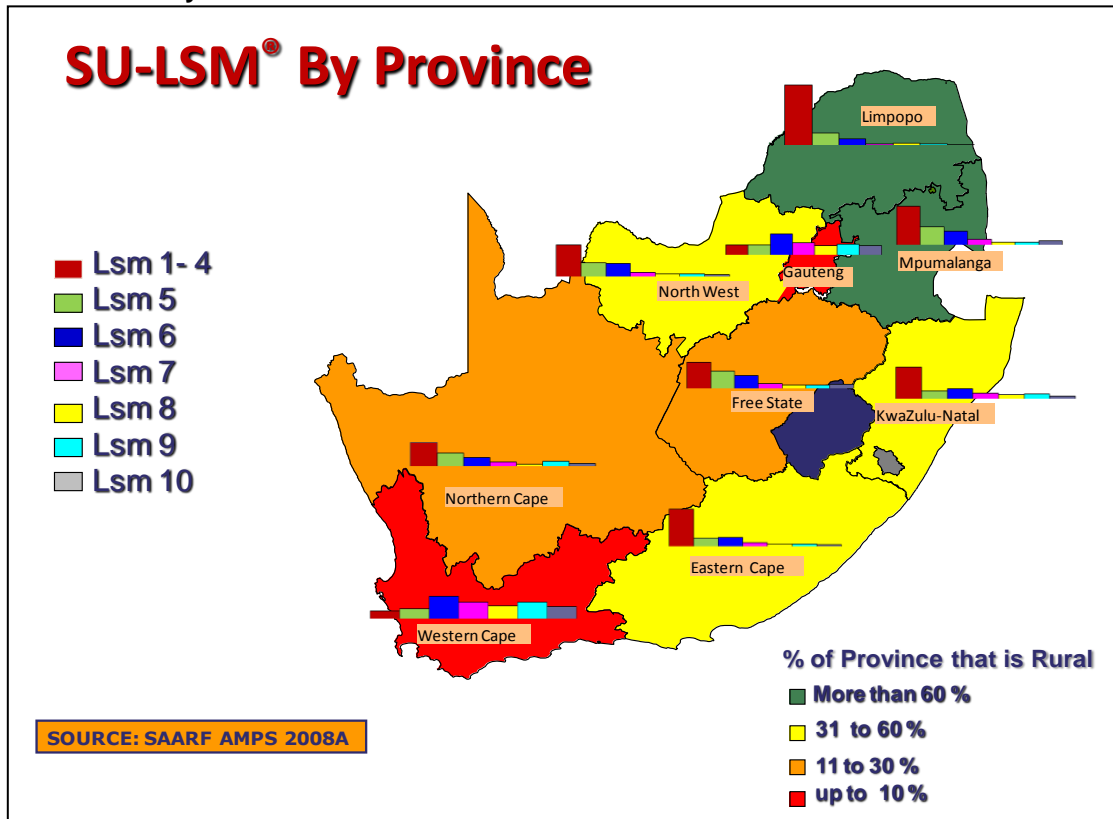
Source: Demacon Ex. SAARF, 2009

The LSM profile can also be combined with retail demand densities – indicating potential areas for retail investment. Maps 3.2 to 3.11 indicate these variables on a provincial basis.Subsequent bullets explain the data on the maps:

✓   Retail Demand Density – A single dot refers to a demand for 100m^2 of retail GLA (floor space).
✓   LSM – shading refers to the LSM classification within each of the provinces.
✓   The retail demand density is reflected by census sub-place in terms of the dots, however the exact location of the demand within the sub-place is not indicated.

Map 3.2: Eastern Cape Retail Demand Density and LSM Profile

Source: Demacon Ex. Stats SA, 2010

Map 3.3: Free State Retail Demand Density and LSM Profile
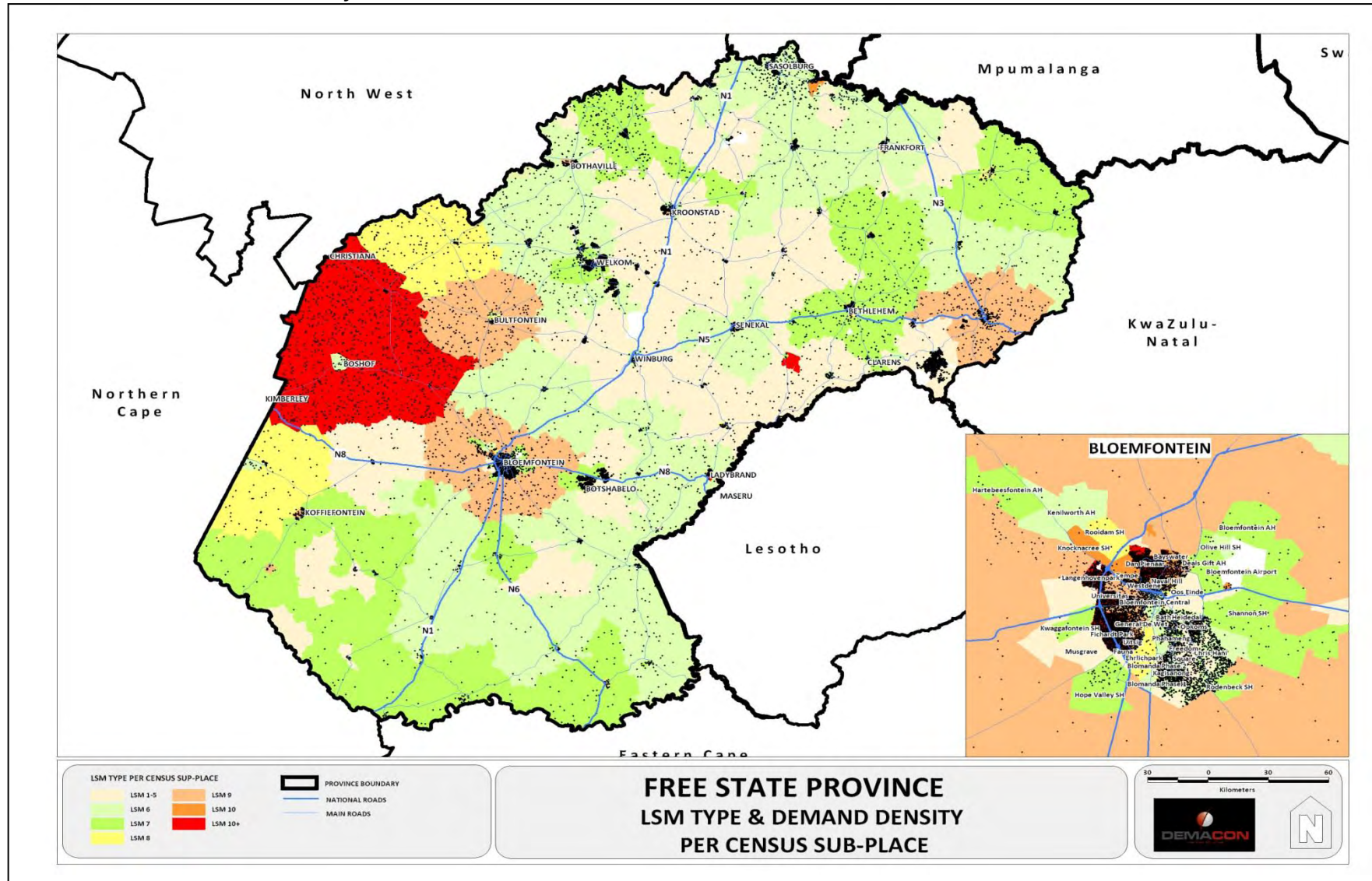
Source: Demacon Ex. Stats SA, 2010

Map 3.4: Gauteng Retail Demand Density and LSM Profile
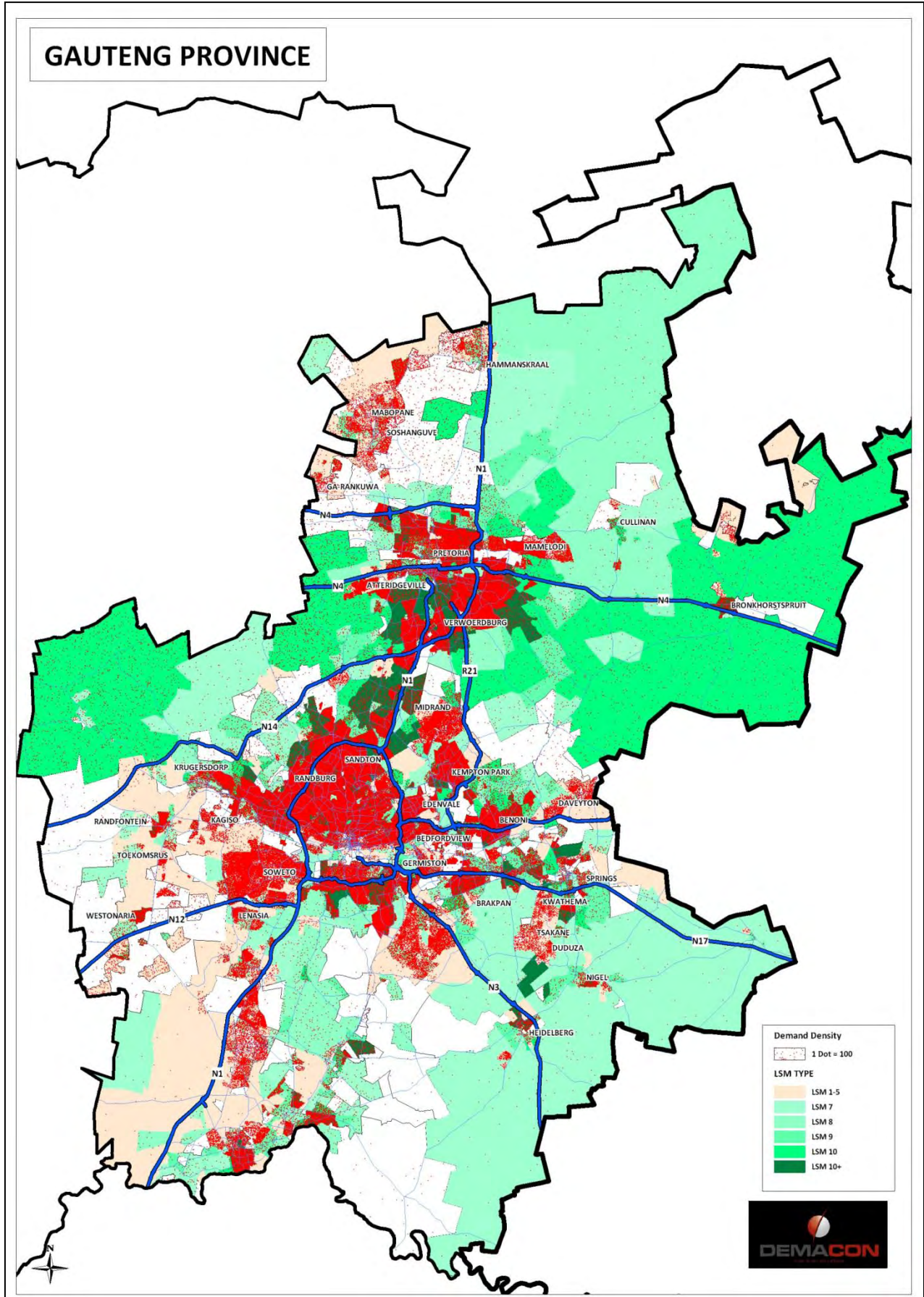
Source: Demacon Ex. Stats SA, 2010

Map 3.5: KZN Retail Demand Density and LSM Profile
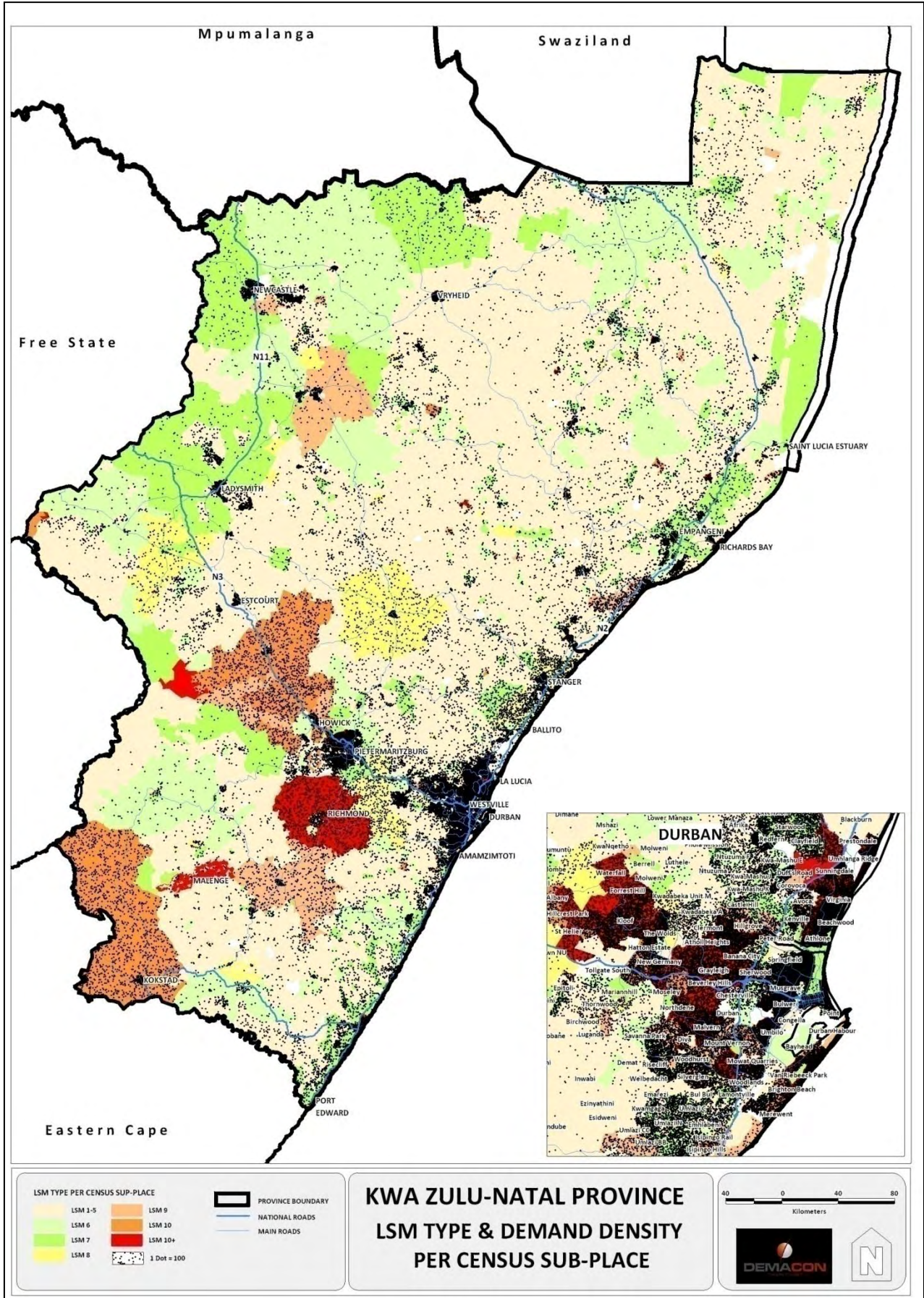
Source: Demacon Ex. Stats SA, 2010

Map 3.6: Northern Cape Retail Demand Density and LSM Profile
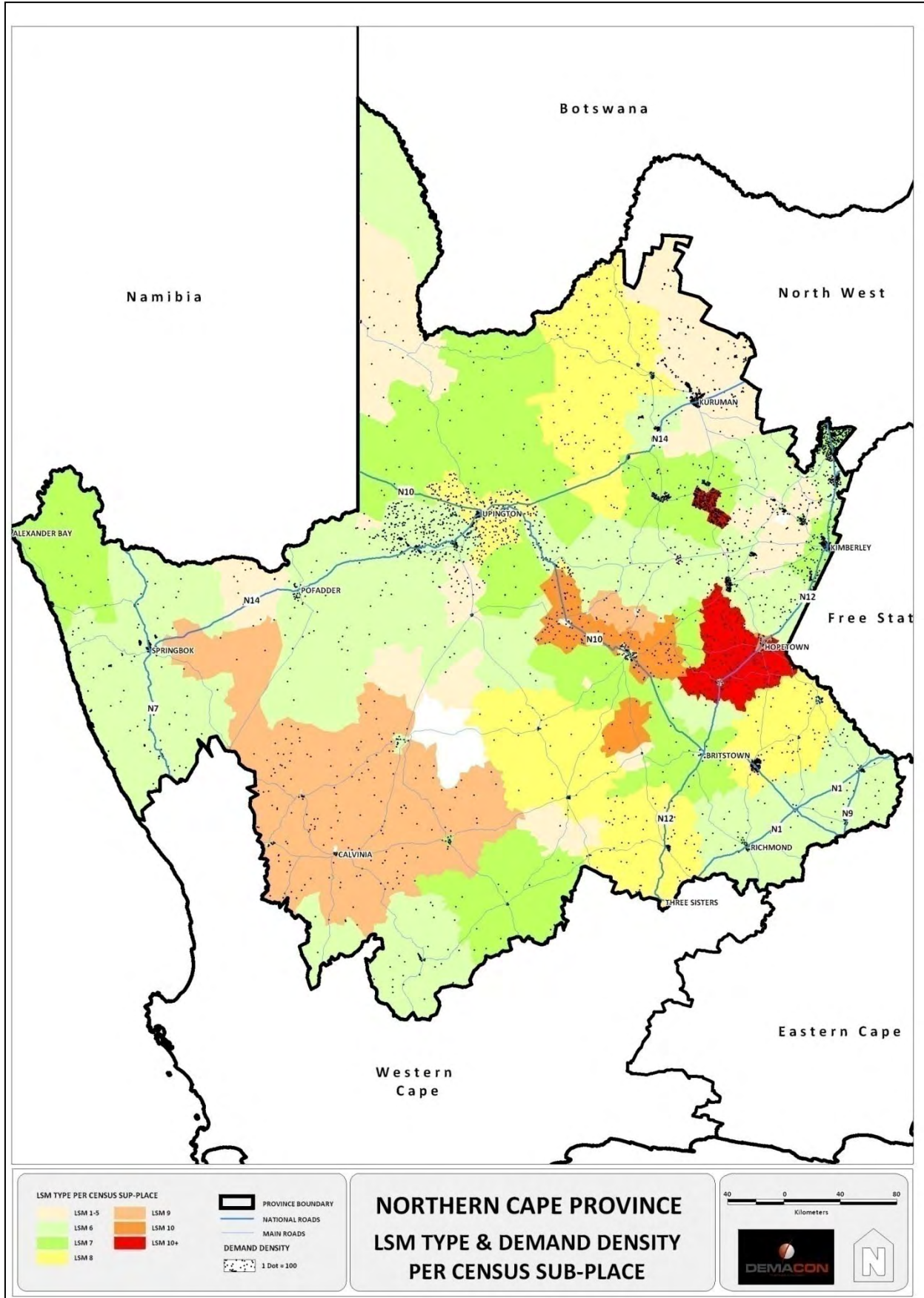
Source: Demacon Ex. Stats SA, 2010

Map 3.7: Limpopo Retail Demand Density and LSM Profile
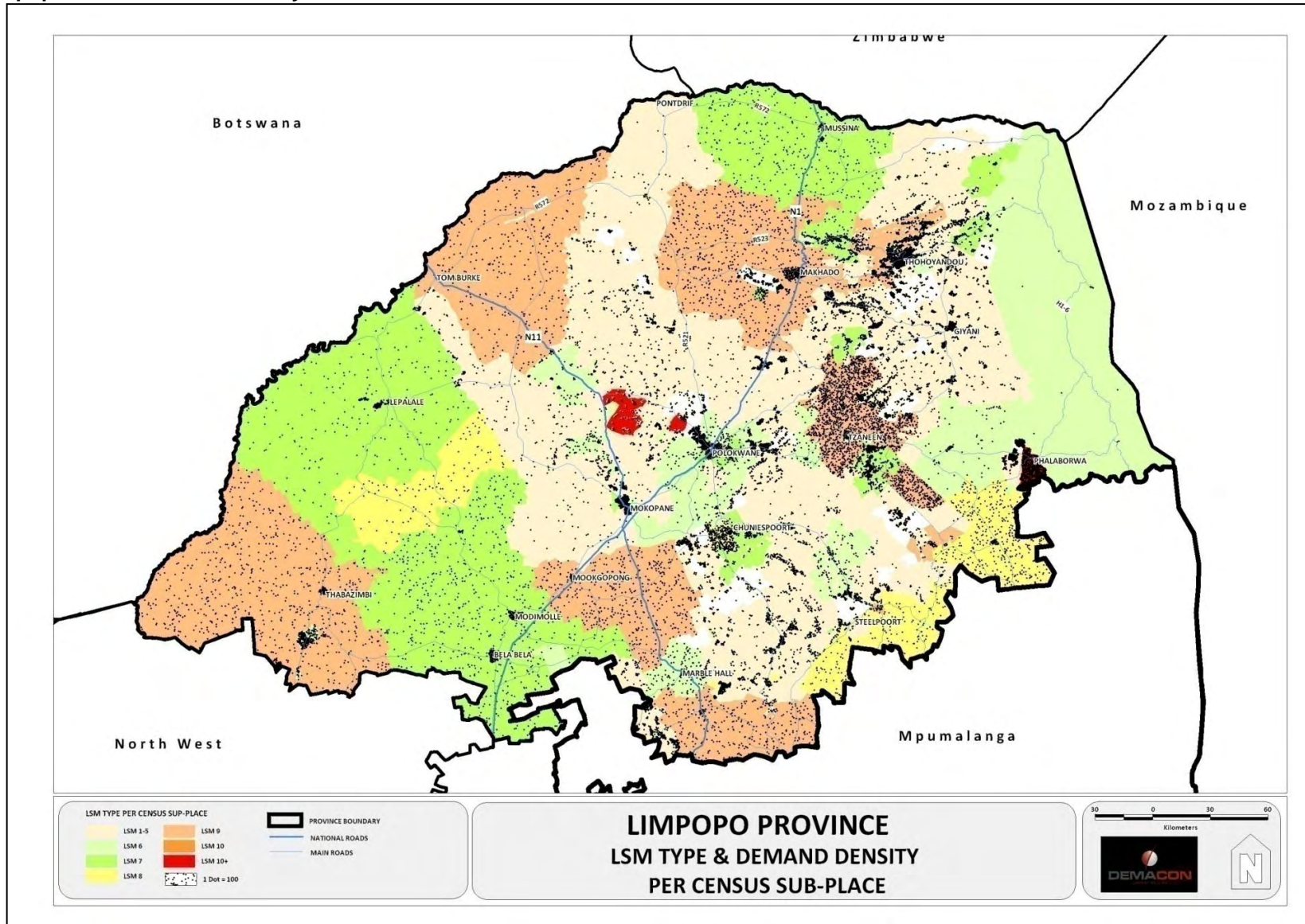
Source: Demacon Ex. Stats SA, 2010

Map 3.8: Mpumalanga Retail Demand Density and LSM Profile
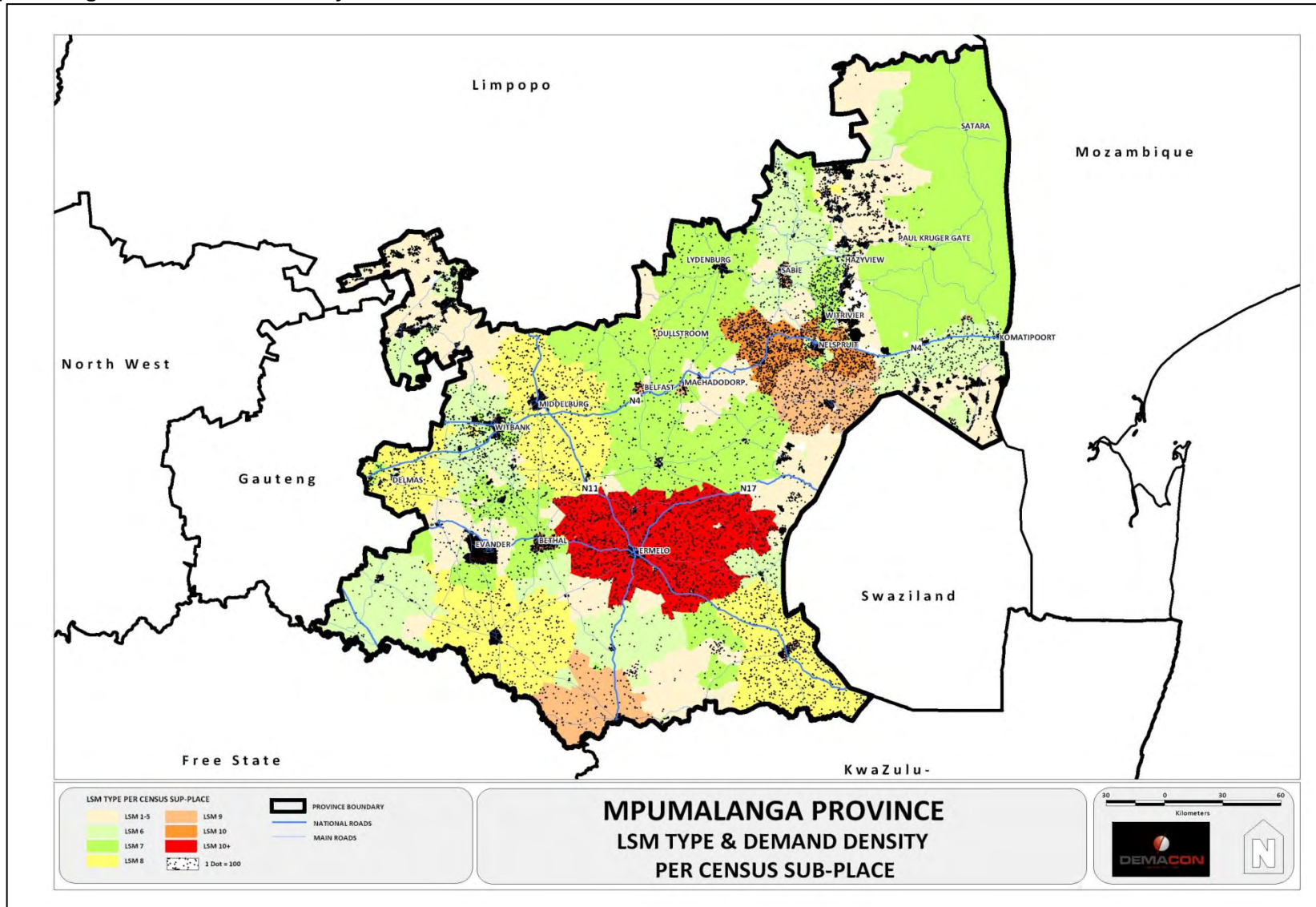
Source: Demacon Ex. Stats SA, 2010

Map 3.9: North West Retail Demand Density and LSM Profile
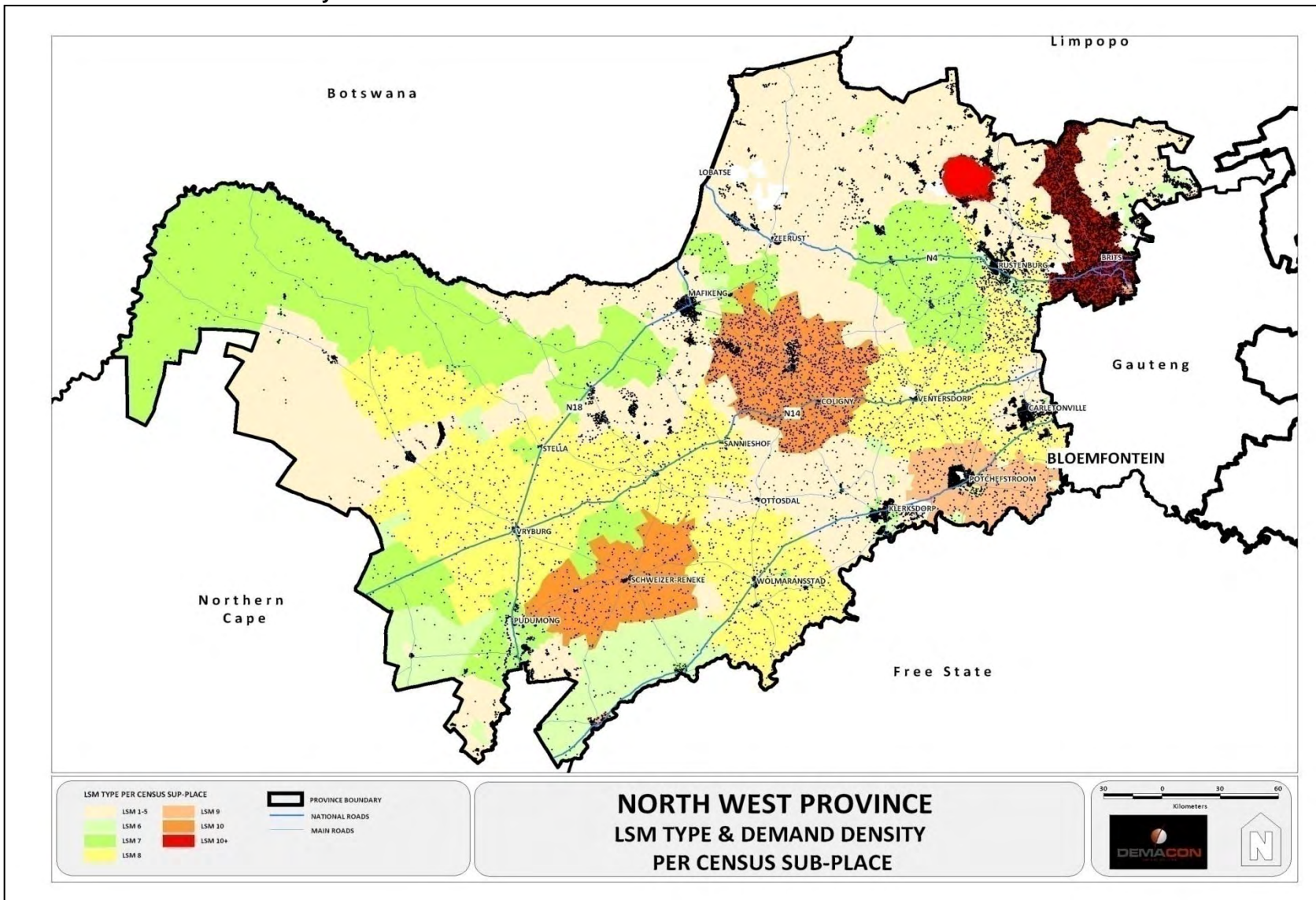
Source: Demacon Ex. Stats SA, 2010

Map 3.10: Western Cape Retail Demand Density and LSM Profile
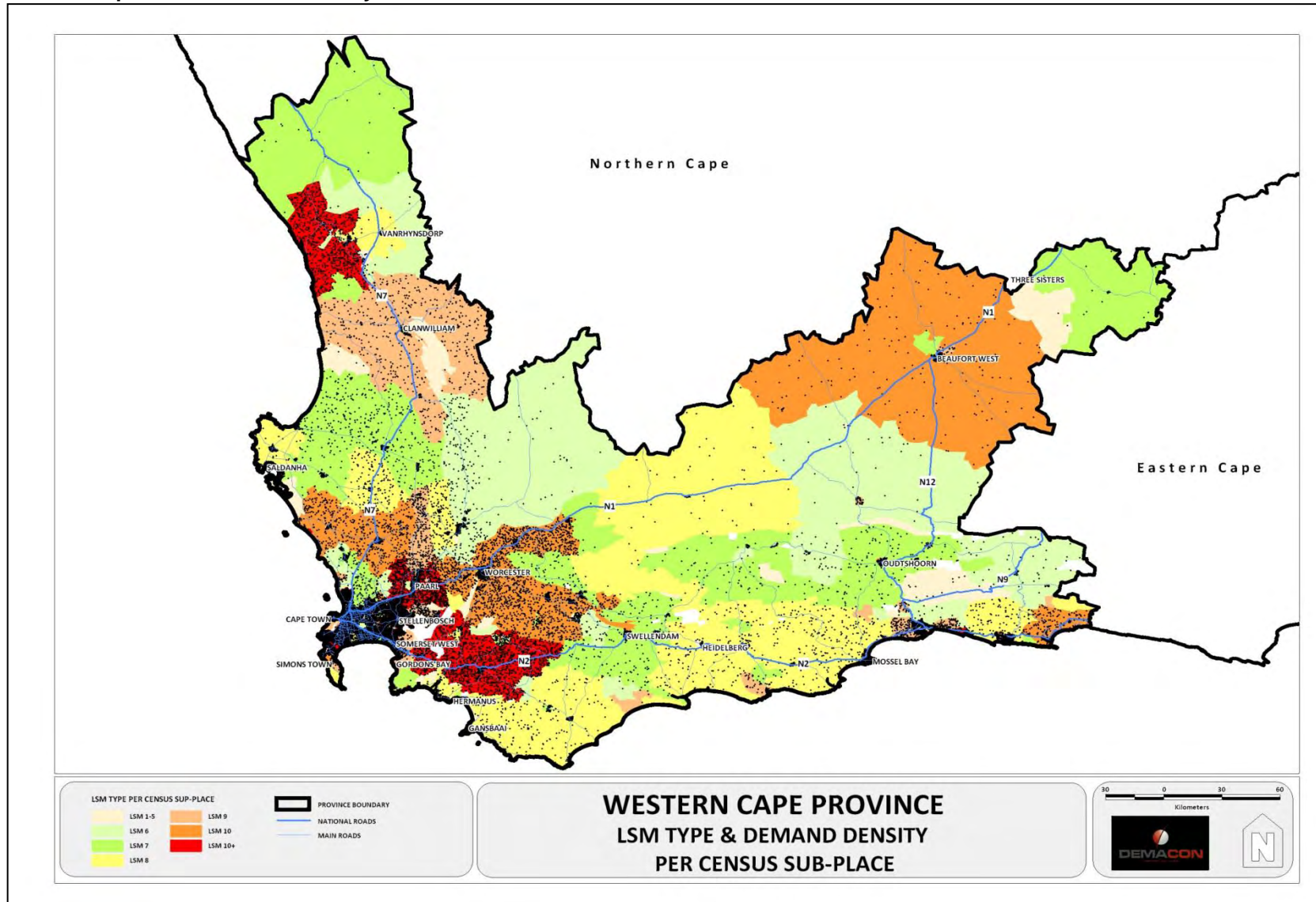
Source: Demacon Ex. Stats SA, 2010

It is evident that retail demand density is the highest in dominant economic nodes within the provinces – however, there are also high retail demand densities in other rural and township areas, although these are associated with lower LSM profiles. This reflects scope for retail investment in the majority of provinces.

3.2.2   SOCIAL UPWARD MOBILITY, DEMOGRAPHIC SHIFTS AND MIGRATION TRENDS

✓ Large numbers of black South Africans are migrating to higher income groups after the positive economic cycle experienced over the past few years. The shift of large numbers of people up the income scale is creating a change in the country's consumer base. According to Jeremy Stevens (Standard Bank economist), black people make up approximately 59% of the South African middle-income group and 24% of the high-income group. Middle-income households are those earning incomes between R38 401 and R153 600 per annum. He indicated that the growth in income of black people outperformed that of the other population groups over the past few years and it is anticipated that this trend will prevail over the longer term[38].

✓ Black consumers' choices were changing from being dominated by food, clothing and footwear towards a range of goods including household appliances, vehicles and aspirational assets.

✓ The spending patterns of the emerging new consumers differ from the established middle income group due to their asset deficit – the emerging class spends a bigger share of their income on things such as microwaves, tumble driers, cars, education and reading matter.

✓ South Africa's 2.6 million 'black diamonds' are likely to grow to 22 million in the next 20 years – according to M. Masito, a University of Cape Town lecturer in marketing[39]. He said that given the moderate fertility rates of black and white women, the spending power of the black middle class could soon outstrip that of whites. This could be linked to the white fertility rate and high emigration rate.

✓ This has taken off in a space of 10 to 15 years – since the end of apartheid in 1994. Since then, the black middle class has been growing at approximately 50% per annum.[40]

✓ The black middle class has spending power worth R180 billion a year (excluding access to credit). This represents 28% of South Africa's total spending power. Total black spending power averaged at R335 billion and white spending power at R235 billion[41].

✓ Research by UCT also indicates that 47% of the black middle class live in suburbs, as opposed to townships. The remainder live in townships because of social and cultural bonds. They live mainly in brick houses with electricity and running water[42].

✓ Those not residing in townships, however, visit family and friends in townships on a monthly basis.

✓ The black middle class earns an average of R6 100 a month, compared with an average of R6 000 for the white population.

✓ Overall, black South Africans' average income rose by 180% over the past decade, while that of whites increased by 162%. It is evident that the income gap is closing. The question, however, remains as to whether this is happening fast enough.[43]

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[38] Source: Business Report. E.Hazelhurst. November 2007. Rising Black Middle Class is changing the way SA spends.

[39] Source: Business Report. E. Hazelhurst. July. 2008. Rising Black Middle Class to hit 22m by 2028.

[40] Source: Business Report. March. 2006. South Africa hit by black consumer market.

[41] Source: Business Report. E. Hazelhurst. July. 2008. Rising Black Middle Class to hit 22m by 2028.

[42] Source: Business Report. E. Hazelhurst. July. 2008. Rising Black Middle Class to hit 22m by 2028.

[43] Source: Business Day. L.Chilwane. November. 2009. Social Grants explain dip in poverty levels.

3.2.3   ARTIFICIAL EFFECT OF REMITTANCES AND GOVERNMENT GRANTS

✓ South Africa's social security system, a major monthly income source for over 12 million people, has been playing an increasingly important role in reducing poverty and inequality in the country since 2000.

✓ The latest five yearly income and expenditure survey (IES), released in March 2008, indicates that between 2000 and 2005/6 black households' share of consumption expenditure rose from 42.9% to 44.3%, while white households' share fell from 44.1% to 42.9%. However, it should be noted that the white population fell from 10.1% to 9.2% over the same period and black South Africans increased from 78.3% to 79.4%[44].

✓ Black households increased their share of expenditure in each category except for miscellaneous goods and services.

✓ According to the survey the government's social programme was having a significant impact on addressing inequality: if state social security grants were not included in calculating the Gini coefficient, the whole country would be at 0.8 rather than the current 0.72. This impact is also evident when income per capita is compared including and excluding these grants – refer to Figure 3.6. It is evident that the pyramid looks quite different: taking social grants into consideration, Tier 3 consists of six million households, while without social grants, Tier 3 consists of just 4.1 million households. Social grants reduce Tier 4 from 5.3 million households to 4.4 million households.

✓ The estimated annual gross income for all SA households in the 2005/6 Income and Expenditure Survey was R929.2 billion of which 64.4% was from work activities – wages and salaries. The remainder was from social grants and other sources of income.

✓ The number of South Africans living in poverty decreased from 22.2 million in 2004 to 19.6 million in 2008. Kevin Lebone said that that the decline in poverty could be attributed to the effects of social grants and a drop (until recently) in unemployment.

✓ Former Finance Minister Trevor Manuel announced in February 2009 that government's spending on social security would receive a R13.2 billion boost in the 2009 financial year – to provide some measure of protection to poor South Africans during the economic slowdown[45].

✓ The spending on social grants is planned to increase to R80 billion in 2009/2010, and will amount to approximately 12% of total government spending.

Trevor Manuel said: social transfers were just part of South Africa's war on poverty, and had to be matched by investment in capabilities and opportunities through skills, economic expansion and development of social infrastructure. To fight poverty in a holistic manner, a developmental state must balance growth in social assistance with progress in other fronts.[46]

Social grants are classified as the following: Child Support Grant (CSG), Care Dependency Grant (CDG), Foster Care Grant (FCG), Disability Grant (DG), Old Age Grant (OAG), War Veteran's Grant (WVG) and Grant in Aid (GIA) – refer to Table 3.2.

Table 3.2 provides a summary of the total number and growth rate of grant recipients by grant type between 1996 and 2009. The table indicates that, within all the grant types, there was a growth rate of 5.2% in 2008/09 as compared to 2007/08's growth rate of 3.4%.

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[44] Source: www.southafrica.info/about/social. M. Appel. April. 2008. Social grants making impact.

[45] Source: www.vocfm.co.za. February. 2009. R13.2 million boost for social grants programme.

[46] Source: www.southafrica.info/about/social. B. Mbola. February. 2008. Social Grant Spending Increased.

Figure 3.6: Impact of Social Grants on Per Capita Income
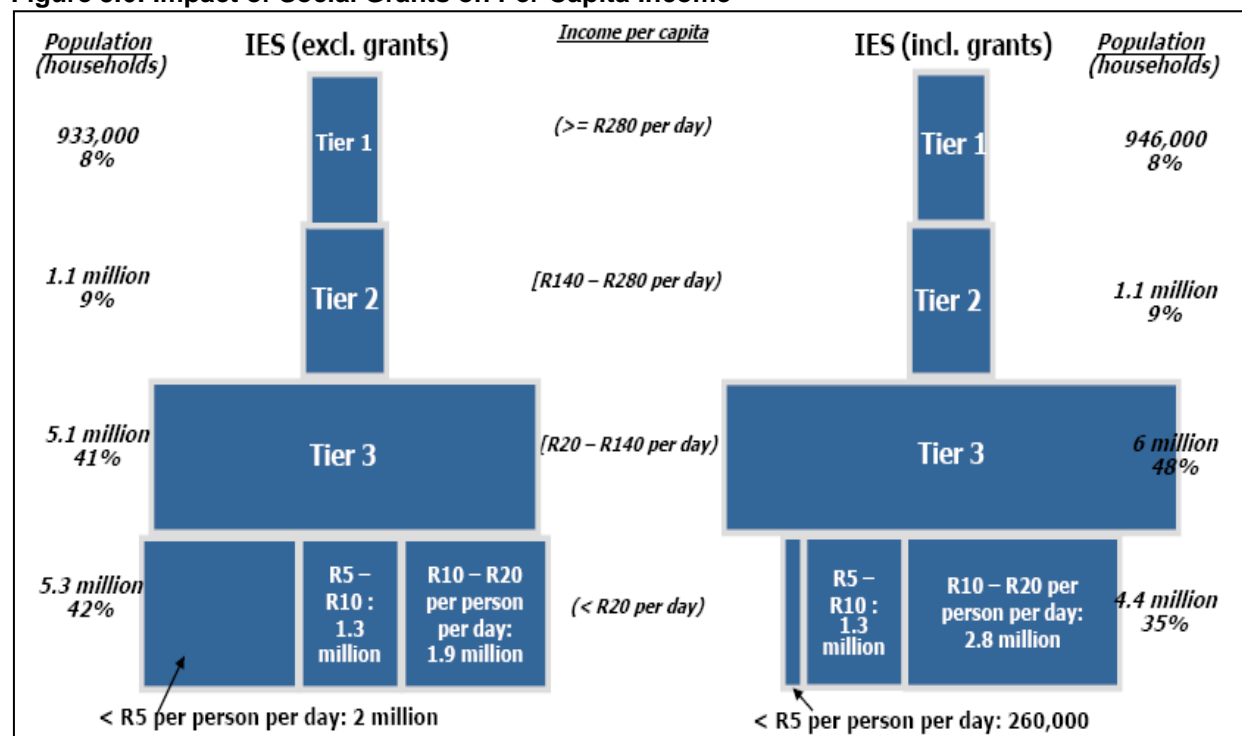
Source: Demacon Ex. Eighty 20, 2009

Table 3.2: Total Number and Growth of Grant Recipients by Grant Type

Years	OAG	WVG	DG	FCG	CDG	CSG	Total	Growth Rate
1996/97	1 637 934	13 473	711 629	42 999	2 707		2 408 742	
1997/98	1 697 725	10 525	660 528	43 520	8 172		2 420 470	0.50%
1998/99	1 812 695	9 197	633 778	46 496	16 835	21 997	2 540 998	5.00%
1999/00	1 848 726	7 908	607 537	49 843	22 789	150 366	2 687 169	5.80%
2000/01	1 900 406	5 617	655 822	66 967	33 574	1 111 612	3 773 998	40.40%
2001/02	1 903 042	5 336	694 232	67 817	34 978	1 277 396	3 982 801	5.50%
2002/03	1 943 348	4 638	840 424	83 574	42 355	1 998 936	4 913 275	23.40%
2003/04	2 050 572	3 996	1 228 231	120 571	76 494	2 996 723	6 476 587	31.80%
2004/05	2 124 984	2 963	1 293 280	195 454	86 917	4 165 545	7 869 143	21.50%
2005/06	2 146 344	2 817	1 315 143	317 434	90 112	7 075 266	10 947 116	39.10%
2006/07	2 195 018	2 340	1 422 808	400 503	98 631	7 863 841	11 983 141	9.50%
2007/08	2 229 550	1 924	1 408 456	454 199	102 292	8 189 975	12 386 396	3.40%
2008/09	2 390 543	1 500	1 286 883	474 759	107 065	8 765 354	13 026 104	5.20%
% growth (average annual)	3.20%	-16.40%	5.90%	23.90%	44.30%	147.53%		15.92%

Source: Demacon Ex. SASSA, 2008/2009. Annual Statistical Report on Social Grants

However, from 1996/07 to 2008/09 there was high annual average growth rate experienced within the Child Support Grant at 147.53%, Care Dependency Grant at 44.30% and Foster Care Grant at 23.90%. The negative annual average growth rate was only experienced on the War Veteran Grant at -16.40%. The data suggest that there has been a significant increase in the number of grant recipients – this is also illustrated graphically in Figure 3.7.

Figure 3.7: Growth in Social Grant Recipients, 1996 to 2009

Social Grant Recipients

$y = 2E+06e^{0.1685x}$
$R^2 = 0.9648$
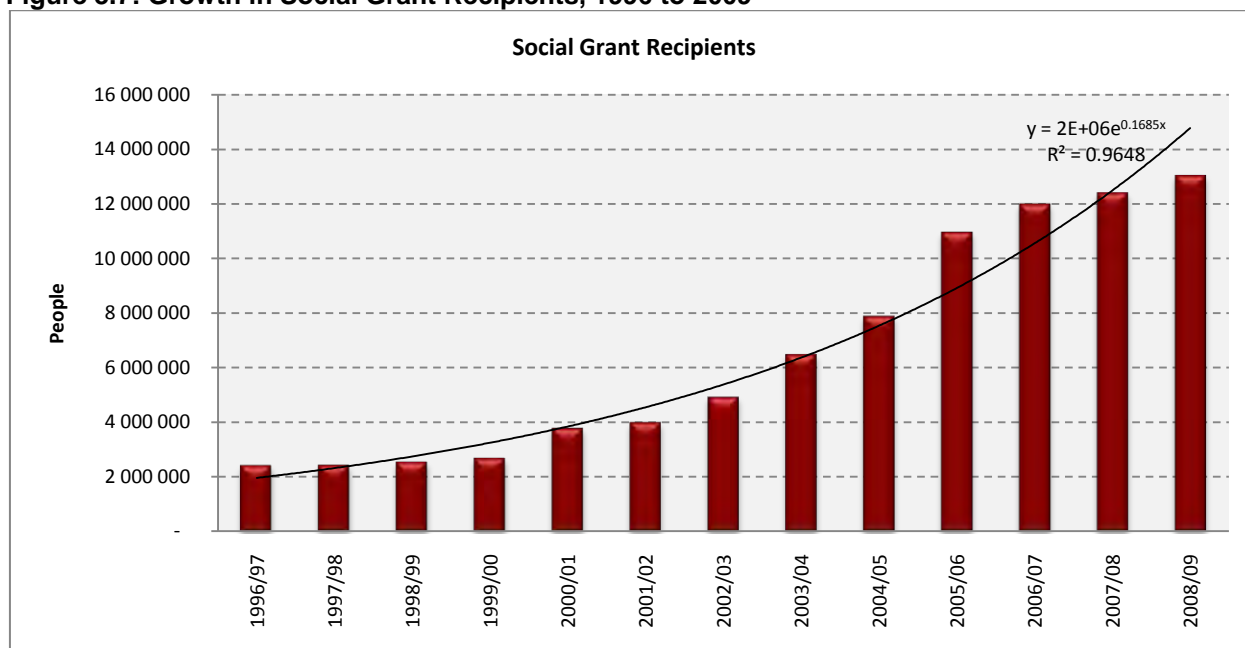
Source: Demacon Ex. SASSA, 2008/2009. Annual Statistical Report on Social Grants

Table 3.3: Social Grant Recipients by Province as at March 2009

Region	Grant Type							Total		
	OAG	WVG	DG	GIA	FCG	CDG	CSG	2006/07	2007/08	2008/09
EC	448 436	198	209 520	5 572	83 403	19 297	1 564 602	2 244 303	2 228 201	2 325 456
FS	144 517	37	91 899	762	44 270	4 228	467 743	723 698	752 763	752 694
GP	299 416	416	134 601	716	59 767	12 834	1 022 984	1 406 445	1 450 009	1 530 018
KZN	494 048	182	369 496	18 605	124 941	32 040	2 282 246	2 931 722	3 119 502	3 302 953
LIM	373 333	138	109 992	5 726	51 306	12 353	1 358 313	1 751 512	1 802 325	1 905 435
MPU	158 060	61	82 922	976	27 041	5 617	690 944	901 386	924 958	974 645
NW	205 720	40	103 787	2 069	40 606	8 946	661 807	1 001 629	982 904	1 020 906
NC	53 351	64	46 681	3 267	15 094	3 790	200 387	232 102	303 974	329 367
WC	193 662	364	137 985	7 376	28 331	7 960	516 328	790 344	821 760	884 630
Total	2 390 543	1 500	1 286 883	46 069	474 759	107 065	8 765 354	11 983 141	12 386 396	13 026 104

Source: Demacon Ex. SASSA, 2008/2009. Annual Statistical Report on Social Grants

Table 3.3 provides a summary of social grants by grant type and region. The table shows that a total of 13 026 104 South Africans benefited from the social grants as at 31 March 2009. KZN has the highest number of grants followed by the Eastern Cape and Limpopo regions respectively. Amongst all the regions, the Northern Cape has the lowest number of grants. This is also illustrated graphically by means of Figure 3.8.

The data suggest that more intervention is needed mostly in rural regions. The information also suggests that the lowest number of grant recipients could be as a result of the lower population in these areas.

Figure 3.8: Provincial Distribution of Social Grant Recipients, as at March 2009
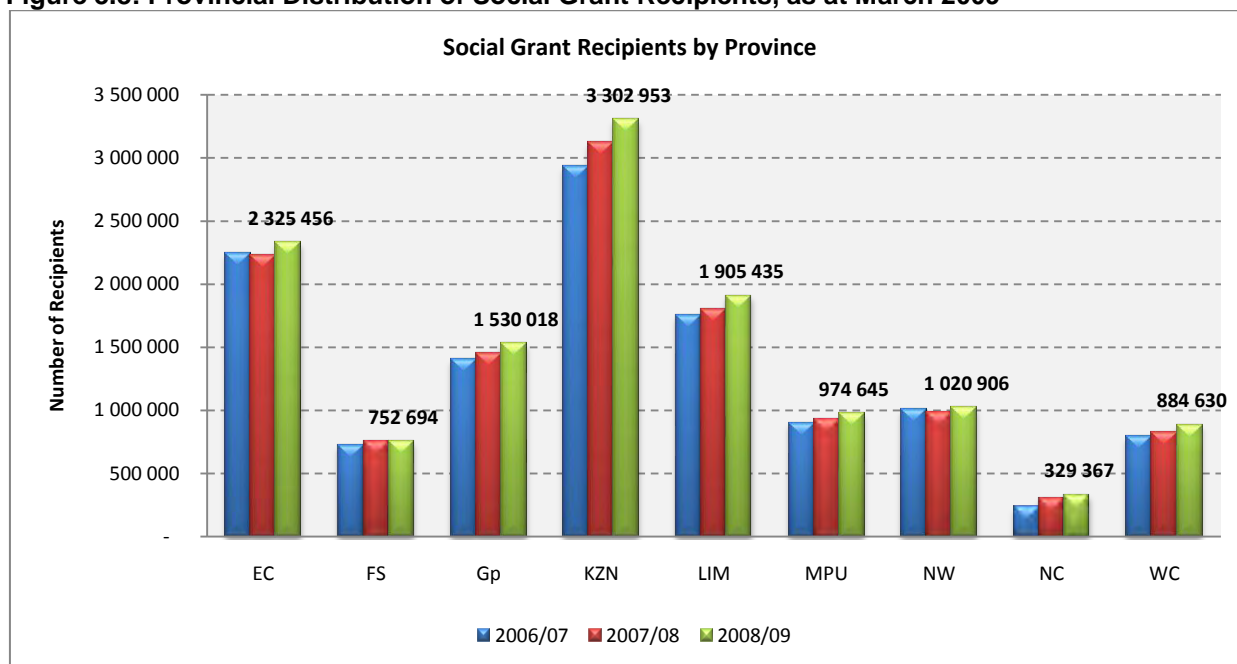
Source: Demacon Ex. SASSA, 2008/2009. Annual Statistical Report on Social Grants

3.2.4 CONSUMER PREFERENCES, NEEDS AND EXPECTATIONS

✓ Shopper expectations and demands have changed, especially as far as convenience, variety and shopping experience are concerned. Customers are far less predictable and much better informed than in the past.

✓ Changing lifestyles have resulted in higher frequency visits to retail centres and smaller shopping baskets per visit. This has resulted in higher demand for, and greater variety of, convenience centres.

✓ Consumers are also increasingly seeking a shopping 'experience'. Centres are required to provide for good quality public space and ease of movement, whilst providing meeting places for relaxation such as coffee shops and restaurants[47].

✓ With emphasis on the emerging black middle class, it is evident that retail purchases are directed towards non-durable goods such as microwaves, tumble driers, cars, education and reading matter.

✓ As evident from retail centre tenant performance, there is a strong preference for stores offering credit and restaurants with liquor licenses – despite the nature and affordability of these outlets and restaurants.

3.3 SYNTHESIS

The following dominant trends prevail in the national consumer market landscape (the demand side of the retail market):

✓ The economic pyramid reflects high levels of poverty at the bottom tiers of the pyramid – 18.2 million people live on less than R20/day.

✓ However, since 2000 there has been a significant upward movement in per capita income and a movement upward through the tiers of the pyramid.

✓ The higher tiers of the pyramid have become racially diverse – however, the lower tiers are largely represented by blacks, coloureds and Asians.

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[47] Source: Urban studies. Dr D.A. Prinsloo. 2009. Retail Trends in a Very Dynamic South African Market.

✓ Since 2000 there has been an upward movement of blacks in terms of per capita income and in terms of the higher tiers of the economic pyramid. It is anticipated that this rising black middle income segment will increase to approximately 22 million over the next twenty years. This market segment has a strong drive towards household appliances, vehicles and aspirational assets. A comparatively large portion (47%) of this market segment resides in white suburbs but maintains strong linkages with the townships. The income of African blacks has increased by 180% over the past decade.

✓ In terms of LSM trends, significant growth has taken place within LSM 5 and 6 brackets and a significant decline took place within the lower LSM 1 to 3 brackets.

✓ The LSM profiles are also strongly related to the rural character of a province – stronger rural characters reflect lower LSM profiles, stronger urban characters reflect higher LSM profiles.

✓ Untapped retail demand exists in rural and township areas in the various provinces, as is evident from retail demand densities, although against lower LSM profiles.

✓ Nationally, there exists a strong reliance on social grants to reduce the impact of poverty – with the emphasis being on the bottom tiers of the economic pyramid. The effect of social grants is the upward movement of approximately 0.5 million households from the bottom tier to a higher tier. The strongest reliance on social grants is in KZN, Eastern Cape, Limpopo, Gauteng and North West.

It is evident that the consumer landscape has improved nationally over the past few years – with the emphasis on the emerging black middle class. This has resulted in an upward movement along the national LSM profile, reflecting higher levels of retail demand within these previous disenfranchised areas. This positive trend, supported by the impact of social grants, has increased the financial stability within these consumer environments (appearing less vulnerable to economic changes).

Consumers have changed – they are becoming more informed about retail products and services and are less predictable. Changing lifestyles are resulting in changing expenditure patterns with consumers showing a tendency towards higher frequency convenience shopping and purchasing more non-durable goods. Consumers are demanding a shopping experience rather than just a centre which provides the basic essentials.

As retail development escalates in these second economy areas, developers are faced with the effort of refining their products to meet the demands of this changing and maturing market segment.

The subsequent chapter provides more emphasis on retail development in these areas over time.

CHAPTER FOUR: RETAIL SUPPLY TRENDS

4.1   INTRODUCTION

As evident from the previous chapters, second economy areas have experienced increased public and private sector investment over the past 10 to 15 years. The dominant type of private sector investment is in retail centre development.   This chapter aims to provide sufficient background to the development trends pertaining to retail supply within the rural and township areas of South Africa – on a national as well as on a provincial basis.

The chapter is structured in terms of the following headings:

- ✓ Defining Retail
- ✓ Role of Retail Centres in Nodal Development
- ✓ National and Provincial Development Trends in Second Economy Retail Centres
- ✓ General Supply Trends and Centre Performance
- ✓ Initial Retail Centre Development Indicators and Risk Profile

4.2   DEFINING RETAIL

Retailing involves the sale of goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mail, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses[48].

In commerce, a "retailer" buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy. The term "retailer" is also applied where a service provider services the needs of a large number of individuals, such as a public utility, like electric power[49].

In short retailing is also defined as:

"The sale of goods or commodities in small quantities directly to consumers"- *www.freedictionary.com*

"Retail is the sale of goods to end users, not for resale, but for use and consumption by the purchaser. The retail transaction is at the end of the supply chain. Manufacturers sell large quantities of products to retailers, and retailers sell small quantities of those products to consumers" – http://retailingindustry.about.com

"Market for private customers and clients in small and medium enterprises business" – www.group.abnamro.com

Retail sales refer to the amount of money spent on a variety of consumer goods. This includes, for example, non-perishable products, footwear, jewellery and hardware. Retail sales serve as an indication of the expenditure in certain categories. Retail sales figures provide an indication of current demand for specific categories of consumer goods, which can be divided into three broad groupings.

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[48] Source: en.wikipedia.org
[49] Source: en.wikipedia.org

1. Durable goods	Durable goods include goods such as furniture, household appliances and personal transport equipment.
2. Semi-durable goods	Semi-durable goods include products such as footwear, clothing and household textiles.
3. Non-durable goods	Non-durable goods include food, beverages, and tobacco, and household consumer goods, medical and pharmaceutical products.

The demand and supply side of the retail market can be defined in terms of the following:

Defining Demand

Retail demand depends on a variety of customer-related aspects. It can be conceptualised as follows:

$$D_{ret} = f \{P_o; P_\%; Q; Y; R_e; C_p; S_f\}$$

Where:

P_o	=	Population size
$P_\%$	=	Population growth
Q	=	Existing quality of retail space
Y	=	Household income
R_e	=	Household expenditure patterns
C_p	=	Consumer preferences
S_f	=	Seasonality factors

Defining Supply

The supply of retail markets entails the following:

$$S_{ret} = f \{D_{ret}; GLA_{ret}; R; S_c; C_c; L_u; I_a; S_p; V_{ret} \}$$

Where:

D_{ret}	=	Demand
GLA_{ret}	=	Current rentable/useable area
R	=	Rent/m^2
S_c	=	Competition
C_c	=	Construction cost
L_u	=	Surrounding land uses
I_a	=	Infrastructure availability
S_p	=	Speculative climate
V_{ret}	=	Vacancy

Over time the South African Council of Shopping Centres has developed a shopping centre hierarchy – detailing the different types of retail centres and the elements that define them. These range from small free standing centres to super regional centres, value centres, speciality centres, hyper centres and lifestyle centres – refer to Table 4.1.

To a great extent this hierarchy has developed within the urban areas of South Africa.These areas are characterised by a generally mature consumer market able to absorb and carry a large amount of retail floor space, which can be structured in terms of more than one level of the general retail hierarchy.

Table 4.1: SACSC Retail Centre Classification

Type of Centre	Size of centre (m²)	Trade area	Access Requirements	No. of households	Socio-economic groups	Average Radius (km)	Median Travel time (minutes)	Main tenants
Small free-standing centre	500 – 1 000 Less than 10 stores	Serves part of a suburbs	Suburban street	<2 000	Mainly middle, middle low and low LSM 4-7	1	<2	✓ Café/Superette ✓ Few convenience stores ✓ Less than 10 stores
Local convenience centre	±1 000 - ±5 000 5-25 stores	One suburb or parts of suburb(s)	Minor collector road	700 - 3 600	All LSM 4-10	1,5	3	✓ Supermarket ✓ Few convenience stores ✓ 5 – 25 stores
Neighbourhood centre	±5 000-±12 000 25-50 stores	Strategically located for a group of suburbs	Major collector roads	2 400 –5 700	All LSM 4-10	2,0	4-9	✓ Supermarket ✓ Convenience ✓ Some small specialised stores
Community Centre	±12 000-±25 000 50-100 stores	Strategically located to serve a suburban community.	Major arterial road	8 500 - 17 800	All LSM 4-10	3,0	6-14	✓ Large supermarket ✓ Convenience ✓ Small national clothing ✓ Restaurants & takeaways ✓ Services
Small regional	±25 000-±50 000 75-150 stores	Specific sub-region of city (can be large self contained community (i.e. Chatsworth)	Major suburban arterial road linking to a provincial highway	17 800-35 700	All LSM 4-10	5,0	10-16	✓ Large supermarket ✓ 1 or 2 large clothing anchors ✓ Strong national tenant comparison goods component ✓ Boutiques ✓ Restaurants ✓ Entertainment ✓ Services
Regional centre	±50 000-±100 000 150-250 stores	Large region of city/or whole city	Major arterial road usually a Provincial main road linking to a National road.	28 600 – 57 150	All LSM 4-10	8,0	14-20	✓ Large supermarket/hyper ✓ 2 or more large clothing ✓ Small clothing and boutiques ✓ Entertainment restaurants ✓ Services ✓ Convenience
Super regional centre	>100 000 More than 250 stores	Large region in city and surrounding areas/Tourists	Major arterial road usually a Provincial main road, linking to a National road.	57 150- 114 300	Above average LSM 5-10	10+	16-28	✓ As at regional but more emphasis on entertainment and variety
Specialist/ entertainment Theme, centre/Life Style centre	Vary from 10 000 to 30 000	Depend on type of store or centre - mostly on regional level	Major urban arterial main road.	5 700 – 85 700	Mainly above average LSM 7-10	5-10	10-30	✓ Specialist traders/ entertainment and/or theme centre
Value Centre	10 000 – 45 000	Next to regional centre or on main road/highway	Major urban arterial main road.	4 800 - 23 800	Middle to above average LSM 6-10	3-6	10-15	✓ Emphasis on big box retailers ✓ Specialist retailers ✓ Home improvement ✓ Limited groceries ✓ Fast food

Type of Centre	Size of centre (m²)	Trade area	Access Requirements	No. of households	Socio-economic groups	Average Radius (km)	Median Travel time (minutes)	Main tenants
								✓ Banks
Hyper centres	15 000 – 35 000	Strong correlation with a regional centre	Major urban arterial main road.	21 400 - 50 000	Middle to above average LSM 5-10	6-8	10-15	✓ One hyper store (70% of area) ✓ Convenience line stores ✓ Services
Lifestyle Centre	15 000 – 50 000 (can be smaller or larger)	Upscale Catchment areas	Major urban arterial main road.	10 000 – 60 000	Mainly LSM 9-10	3-8	6 - 20	✓ Upscale supermarket ✓ Book stores ✓ Dining ✓ Entertainment ✓ Speciality retail (house/home/garden) ✓ Fresh produce stores

Source: Demacon Ex. SACSC, 2010

Examples of Centres:

✓ Super Regional: Eastgate (Johannesburg), Sandton City (Johannesburg), Menlyn (Pretoria), Gateway (Durban Metro), Canal Walk (CT)

✓ Regional: Westgate, Fourways Mall, Cresta (Johannesburg), Brooklyn Mall (Pretoria), Pavilion (Durban), Sanlam Centre in Parrow, Tyger Valley, Kenilworth (Cape metro); Greenacres (Port Elizabeth); Mimosa Mall (Bloemfontein); Vincent Park Shopping Centre (East London).

✓ Community**:** Sunnypark (Pretoria); Musgrave Centre (Durban); Middestad Mall in Bellville, Meadowridge, Goodwood Mall, Constantia Village (Cape metro); Constantia Centre (Port Elizabeth); Brandwag Centre (Bloemfontein); Beacon Bay Retail Park (East London).

Debate exists about the applicability of this retail hierarchy in second economy areas where the market is largely immature. There are, however, an increasing number of examples of successfully competing developments in second 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 in a synergistic manner. These examples, however, mainly represent urban townships where markets are maturing more rapidly due to the growing black middle class and the increased safety net of social grants. Despite this, limited speciality centres have developed in these areas. Furthermore, a number of smaller centres in second economy areas fulfil the role and function of regional centres. Such examples are not defined by the parameters specified in the table above. This will be investigated in more depth in the remainder of the report.

4.3   ROLE OF RETAIL CENTRES IN NODAL DEVELOPMENT

Figure 4.1 illustrates the general process of nodal development in urban areas – residential development and densification represents the first phase of nodal development, followed by the development of a retail centre, supported by office precinct and speciality retail.   This is furthermore supported by the development of office parks, hotels and high density exclusive apartments and lifestyle retail.   Evidently, a retail centre represents the first non-residential property type to be included as part of a node – emphasising the importance of this type of investment within a specific area.

Figure 4.1: Nodal development cycle
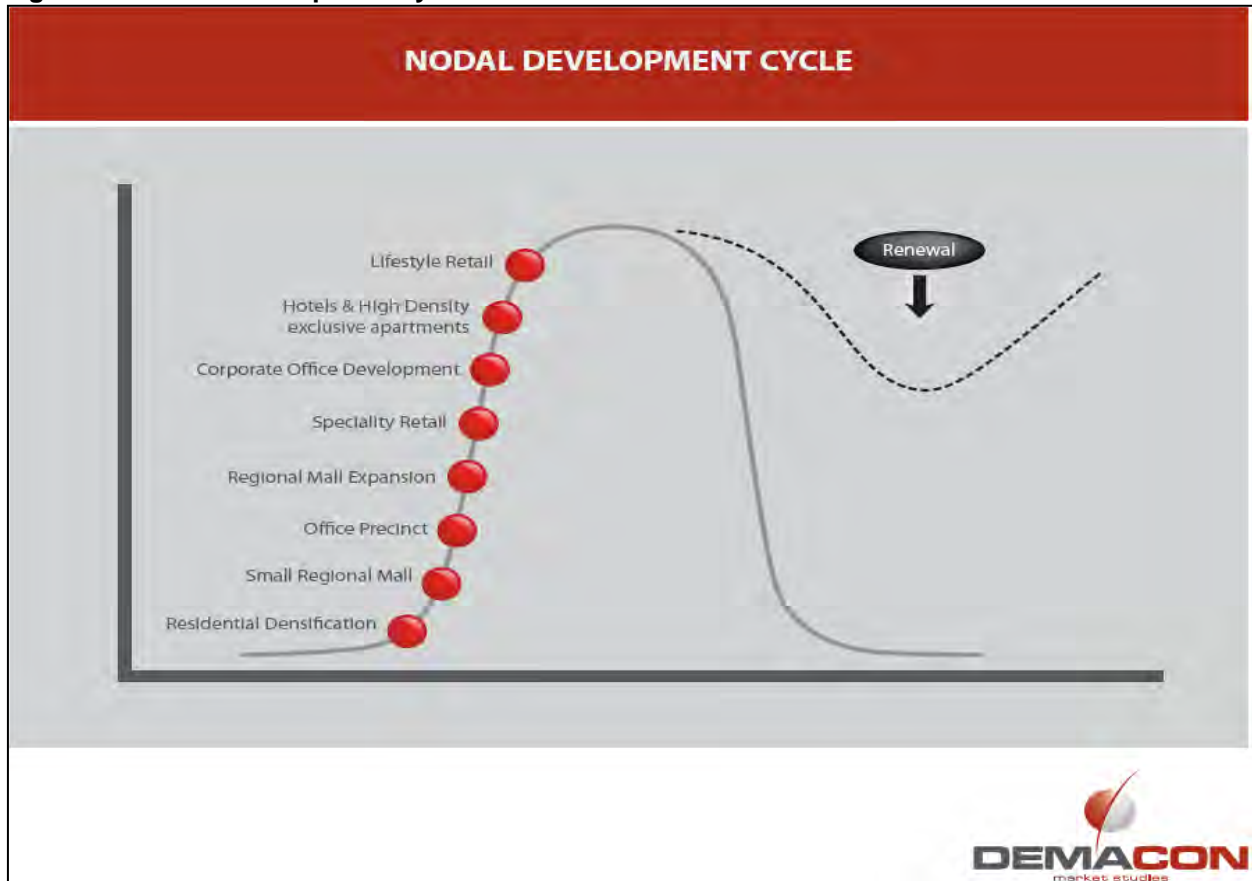
The nodal cycle in second economy areas correlates with this cycle – although the uses are more basic and less specialised due to the immaturity of the markets and higher risk profiles of the more specialised uses.   Residential densification takes place, followed by retail investments, office developments and higher density residential uses. As the node progresses towards the state of maturity more specialised uses can be developed.

The following paragraphs are employed to provide guidelines for the development of nodes within second economy areas.

4.3.1   NODAL DEVELOPMENT WITHIN SECOND ECONOMY AREAS

Mixed-use nodes fulfil an important role in the development of second economy landscapes due to the fact that they **offer a concentrated and diverse range** of goods and services, represent enormous concentrations of both **private and public sector investment,** establish the **image of the area,** form important **sources of revenue** for local governments, generate significant **employment opportunities and** host enormous **economic diversity.**

By means of developing such nodes in second economy areas, the urban system can be **restructured** in such a way that **integration** takes place, in a **spatial** as well as an **economic** context.

Nodal development in these areas has experienced changes over the past years, moving from a **social** development approach to an **economic** approach. The development process has become an integrated process between the private sector, government and non-profit sector.

The economic logic of a mixed-use node can be expressed in terms of the urban interaction model, assuming that the **market share** of a node is inversely proportional to the **distance** between the **market** and the **node** and proportional to the **attractiveness** of the location. Mixed-use nodes in these areas are developed based on **desire lines**, representing a naturally expressive pattern of consumer movement preferences – with emphasis on pedestrian and public transport movements.

A mixed-use node within a second economy area represents a **powerful vehicle** for serving the community, inducing **investment** and **capital injections** into the area and contributing to the economic **upliftment** of the people that will ultimately result in the **improved quality of living**.

The goal is to develop an **activity node**, aimed at improving the **social and economic conditions** of the community; representing a viable entity consisting of a combination of **economic and social activities** that are **integrated, vibrant and pedestrian friendly**.

A node in these areas generally consists of the following main structuring elements: **public spaces, connections, public sector facilities** and **institutions and private enterprises,** notwithstanding the context in which it is developed.

These building blocks can be translated into, inter alia, various urban property markets: residential market, retail market, office market, and light industrial market and community facilities.

In terms of the configuration of these nodes – specific anchors are developed to attract a daily flow of consumers. These anchors can 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), community centre etc.

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

These nodes should be developed according to **human scale** - prioritising the needs of pedestrians, ensuring legibility and permeability within the urban structure.

For these nodes to be sustainable they should be **entrepreneurially focused and market driven**. The development approach should be well **co-ordinated** and carefully **phased** and requires well thought through planning to ensure that key facilities are implemented in a co-ordinated way, linked to housing development in order to induce the required thresholds for private sector investment.

DEMACON
market studies
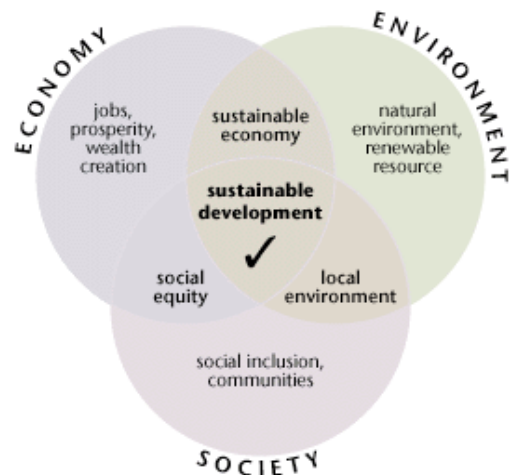
It should, however, be noted that the qualities of mixed use nodes within second economy areas take **time to evolve.** A critical mass of customers is fundamental to the success of any retail based development, therefore there is a need for **co-ordinated and carefully phased** approaches in order to ensure that **co-ordinated public and private investment** can result in the achievement of larger customer thresholds and hence, more significant levels of private investment.

It is important that the development should be integrated with the surrounding urban fabric and local economic dynamics.

4.3.2   CONFIGURATION OF SECOND ECONOMY NODES

Nodes in general develop along important movement axes – mostly at intersections of some kind. In general nodes develop around the intersections in all the quadrants. These nodes generally consist of destination and impulse zones.

Destination activities - *Destination activities represent those* ***anchor*** *activities that are* ***deliberately*** *visited on a* ***frequent*** *basis (more than once a week), and that are required to fulfil the* ***demands*** *of* ***every-day life***, *ranging from buying groceries to paying electricity bills. These uses and facilities should be located at the point of highest accessibility.*

As distance increases from the core of the node, the level of optimal location diminishes. This provides the ideal location for impulse activities that are less sensitive to distance deterrence function.
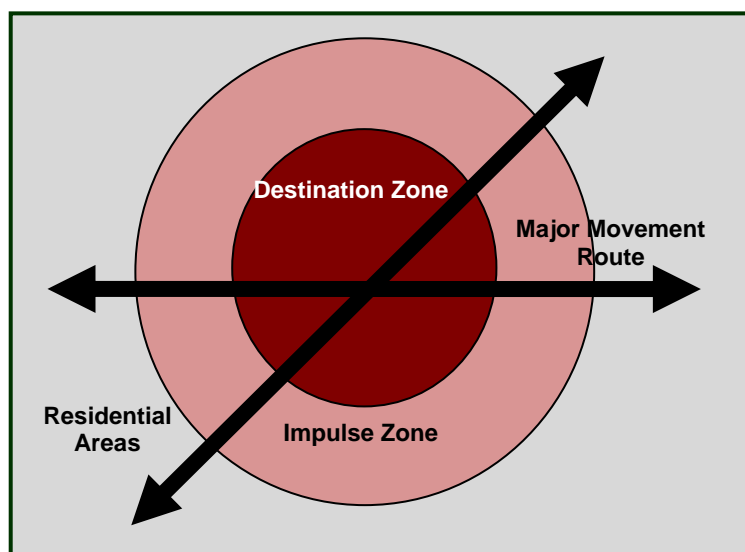
Impulse activities - *Impulse activities represent* ***speciality*** *services that are visited on an* ***infrequent*** *basis, based on* ***need*** *and* ***desirability***. *Impulse activities rely on high consumer volumes and two way traffic to be sustainable. Therefore these facilities require high levels of exposure and accessibility.*

The configuration of each node will depend on the settlement's position within the development hierarchy. The more dominant nodes, reflecting higher population thresholds, could include more commercial uses and facilities than the other less prominent settlement nodes. However, the smaller settlement nodes in general could be characterised by higher representations of public facilities.

Overall, retail centres represent critical building blocks of nodal development within second economy areas – serving as a catalytic anchor. They should, however, be developed at the right location with sufficient space to develop into mature mixed use nodes over time. Provision should be made for these nodes within township planning layouts in order to secure sufficient land.

Now that the importance of retail centres in nodal development has been determined, the focus is shifted towards the general development trends pertaining to second economy retail centres.

4.4 NATIONAL AND PROVINCIAL DEVELOPMENT TRENDS IN SECOND ECONOMY RETAIL CENTRES – TOWNSHIP AND RURAL CENTRES

Subsequent paragraphs provide an overview of national and provincial development trends pertaining to second economy retail centres. These trends are first shown on a national scale, followed by a provincial analysis. This data has been obtained via a range of SA Shopping Centre Directories and Mall guides.

4.4.1 NATIONAL DEVELOPMENT TRENDS

✓ Nationally, **160 retail centres** have been developed in second economy areas – rural and township areas – constituting approximately **2.0 million m² of retail floor space**.
✓ Development dates could only be obtained for 117 of these centres – which constitute approximately 1.6 million m² of retail floor space.
✓ Only the dated developments were utilised for the discussion on national development trends because it is addressed in terms of time line trends.
✓ These centres (43 centres constituting approximately 350 000m² of retail GLA) are, however, included under the provincial development trends.
✓ Some of the centres included serve a dualistic market, where the secondary market is a great deal larger than the primary market, and originates from a rural spatial base.

Subsequent figures illustrate the development trends of retail centres in second economy areas between 1962 and 2009.

Number of Centres Developed in Second Economy Areas between 1962 and 2009

Figure 4.2: Number of Retail Centres Developed, 1962 to 2009
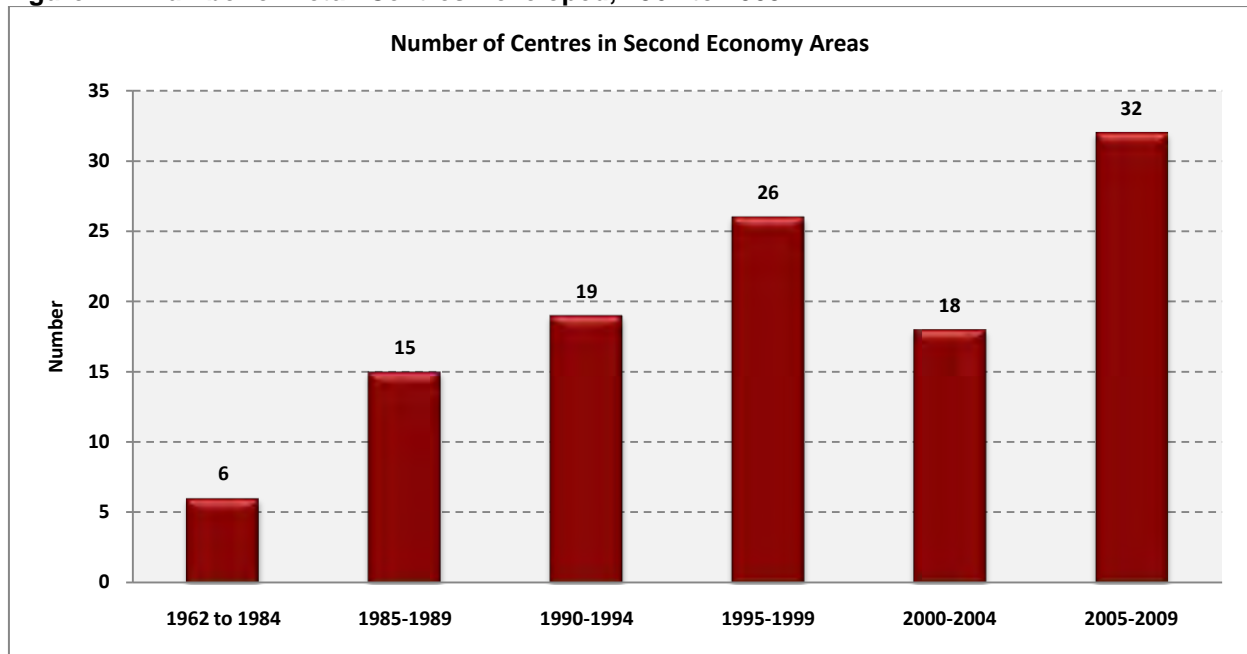
Source: Demacon, 2009

Total Retail Floor Space Developed between 1962 and 2009 in Second Economy Areas

Figure 4.3: Total Retail Floor Space Developed, 1962 to 2009
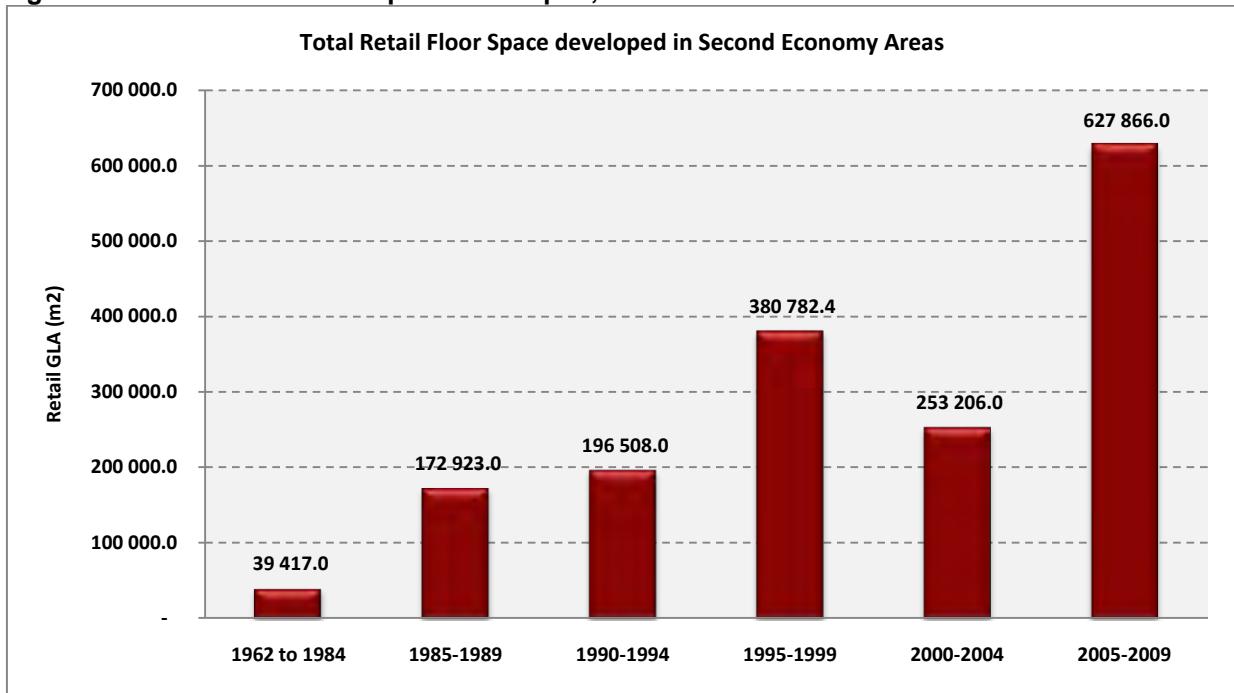
Source: Demacon, 2009

Average Size of Retail Centres in Second Economy Areas

Figure 4.4: Average Size of Retail Centres, 1962 to 2009
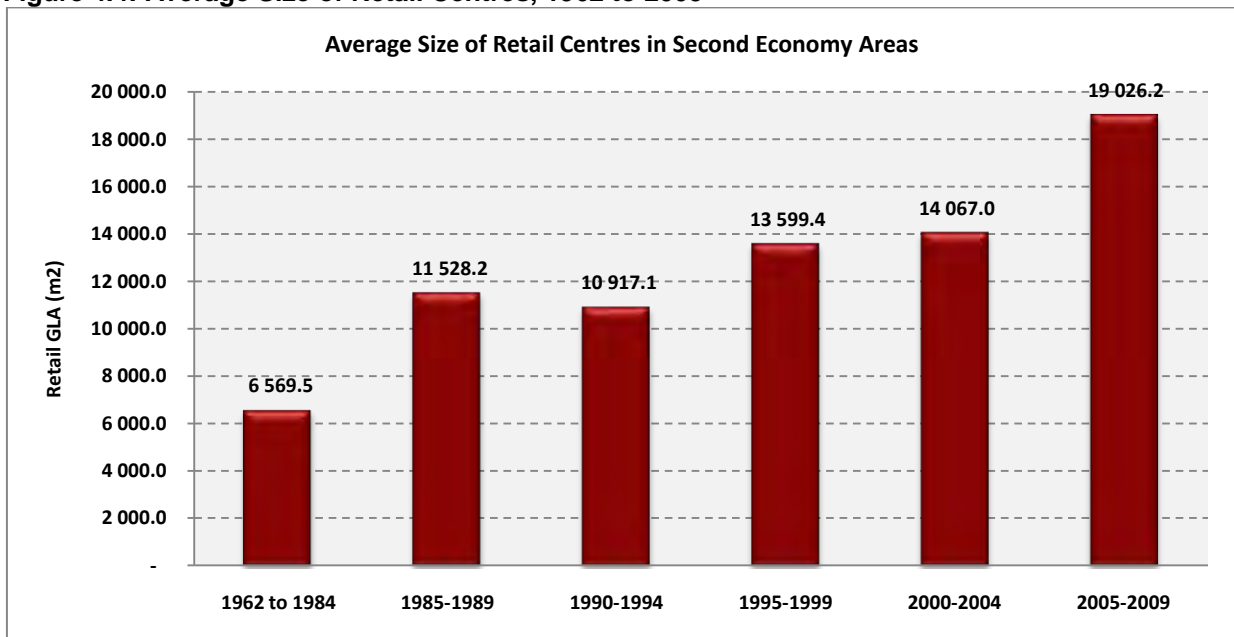
Source: Demacon, 2009

Smallest versus Largest Retail Centres in Second Economy Areas

Figure 4.5: Smallest versus Largest Retail Centres, 1962 to 2009
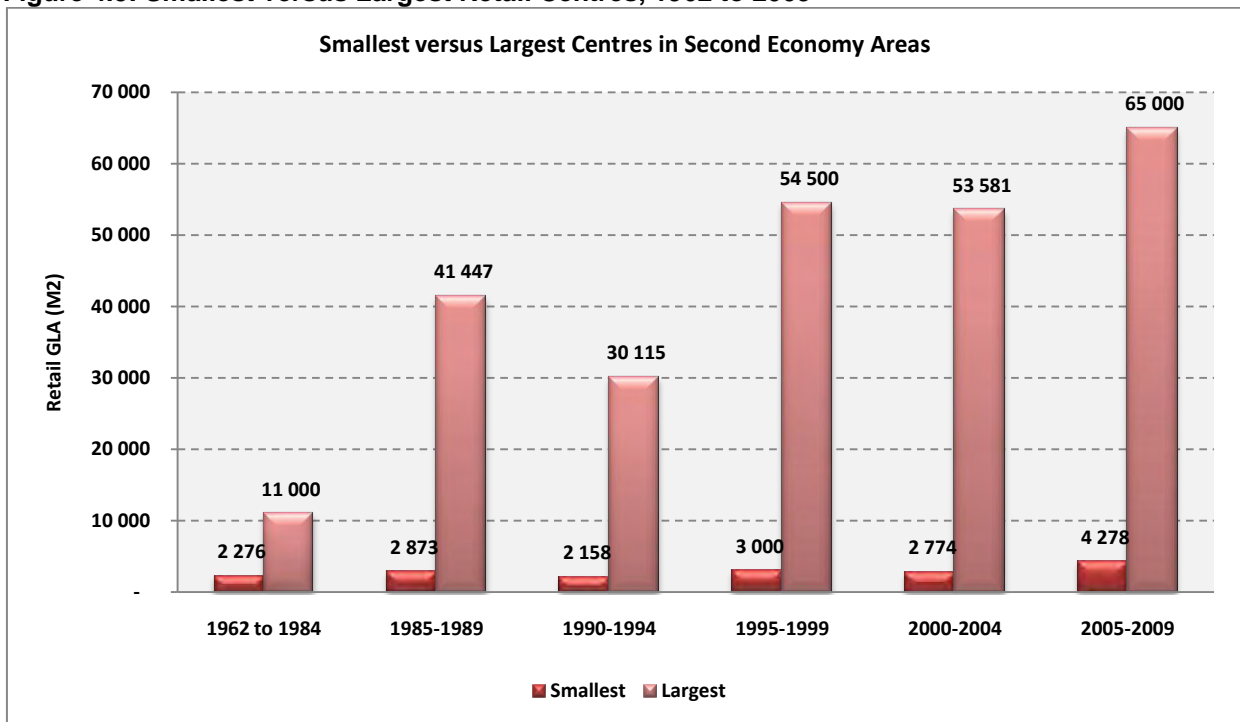
Source: Demacon, 2009

Functionality of Retail Centres in Second Economy Areas

Figure 4.6: Functionality of Retail Centres - Number, 1962 to 2009
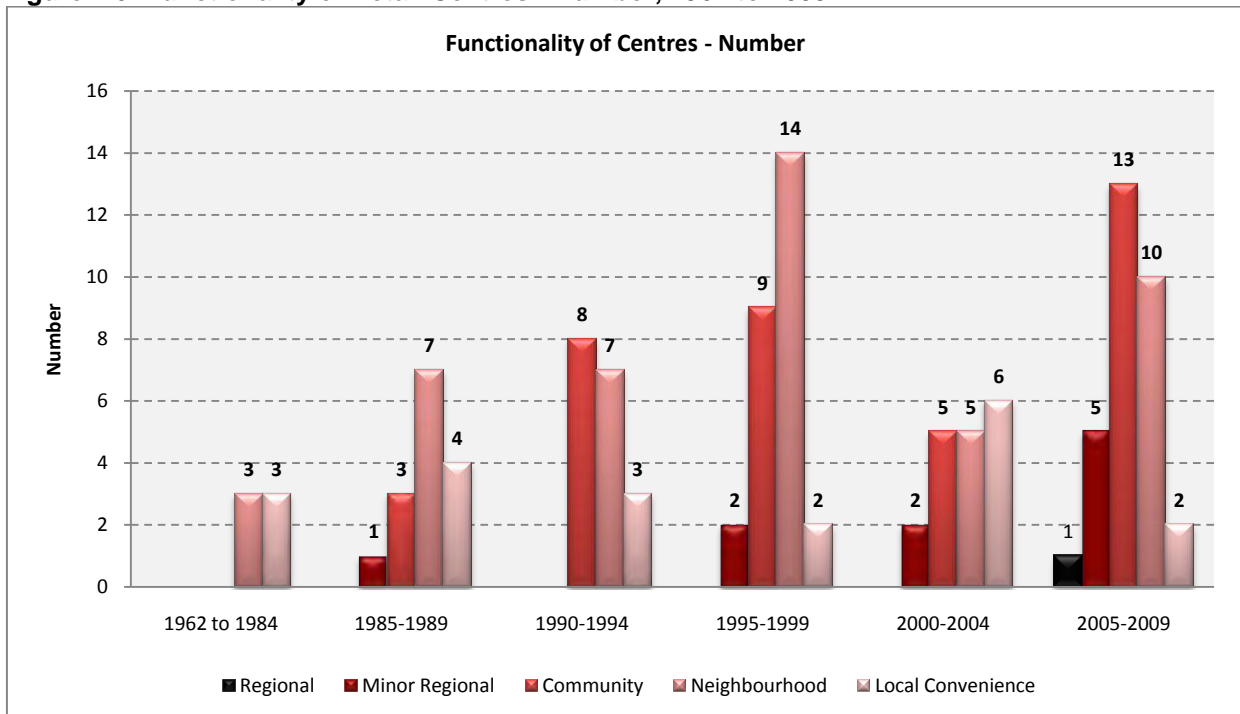
Source: Demacon, 2009

Figure 4.7: Functionality of Retail Centres - Percentage, 1962 to 2009

Percentage of Centres Developed
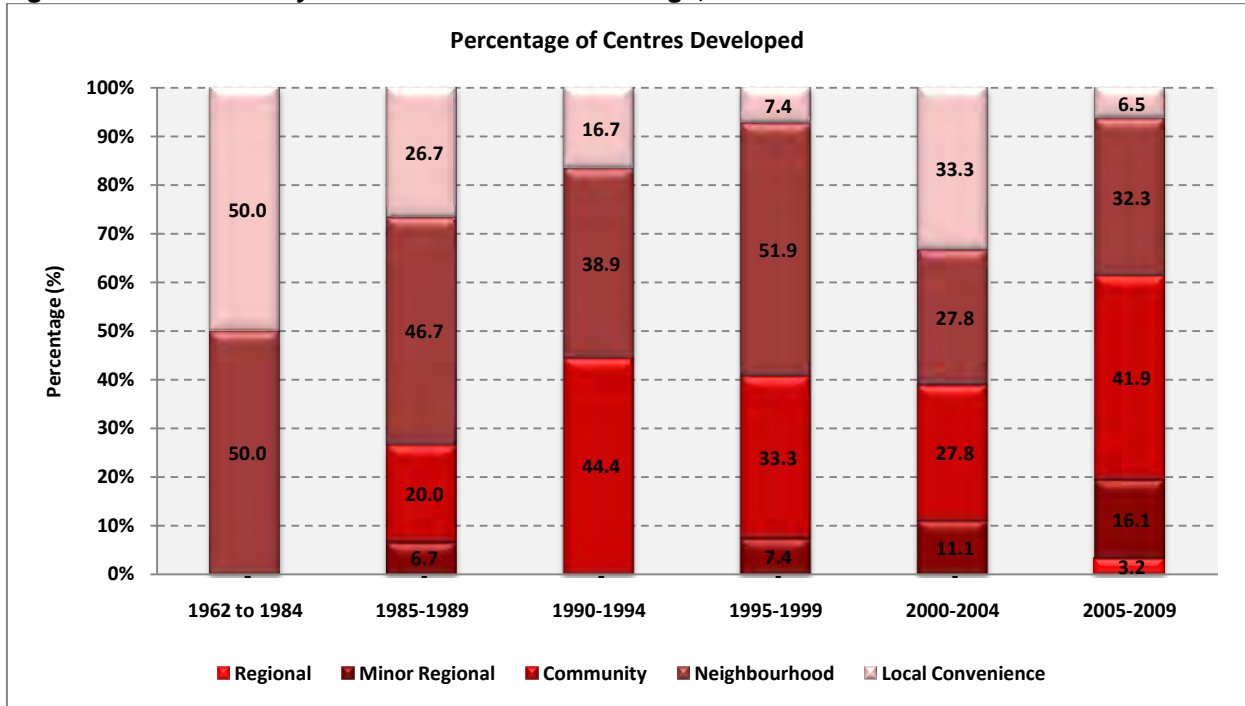
Source: Demacon, 2009

Average Number of Shops in Retail Centres in Second Economy Areas

Figure 4.8: Average Number of Shops in Retail Centres in Second Economy Areas, 1962 to 2009

Average Number of Shops per Centre in Second Economy Retail Centres

Source: Demacon, 2009

Centre Development in Second Economy Areas between 1962 and 2009

Figure 4.9: Retail Centre Development, 1962 to 1994

Shopping Centre Development - 1962 to 1994
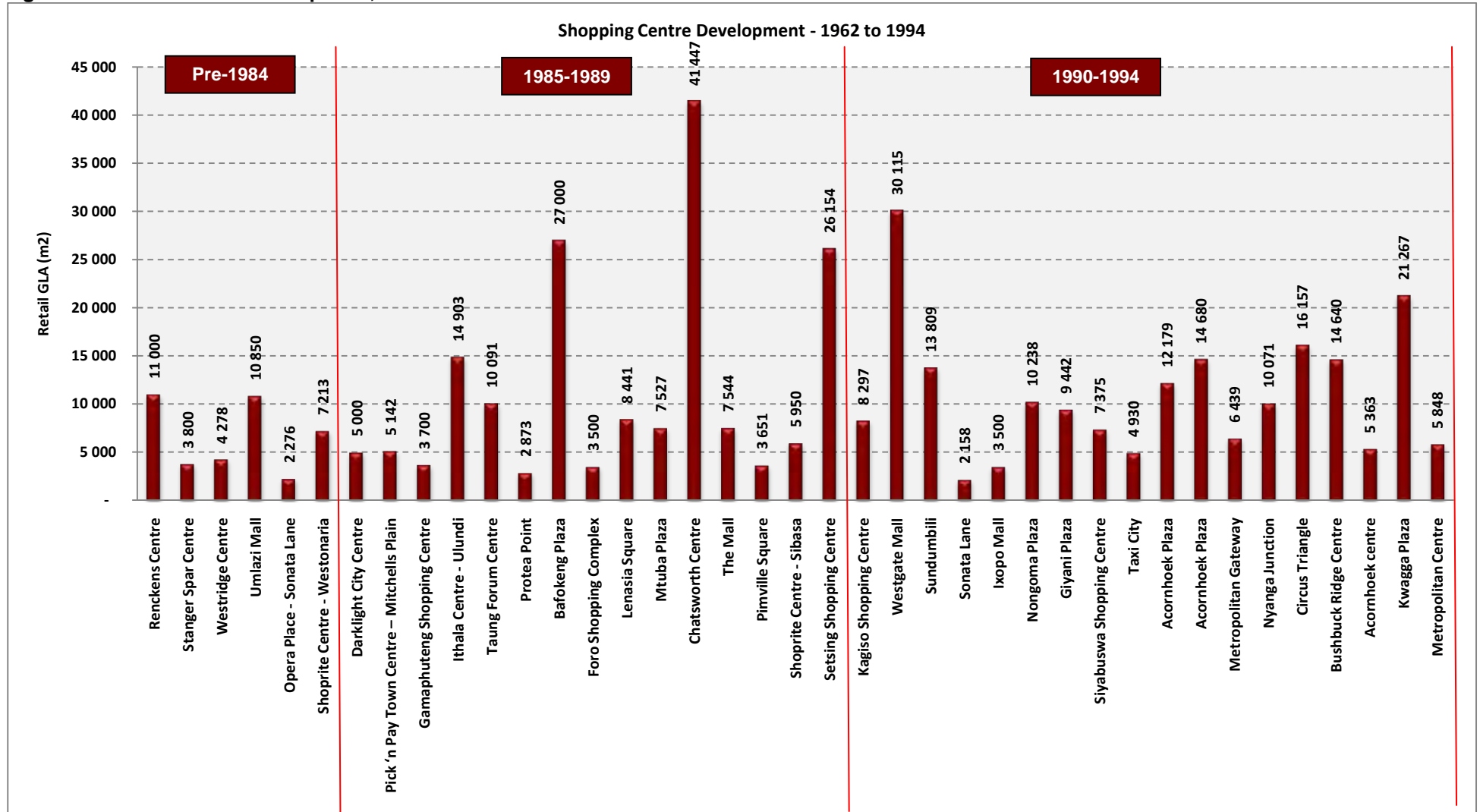
Source: Demacon, 2009

Figure 4.10: Retail Centre Development, 1995 to 2009
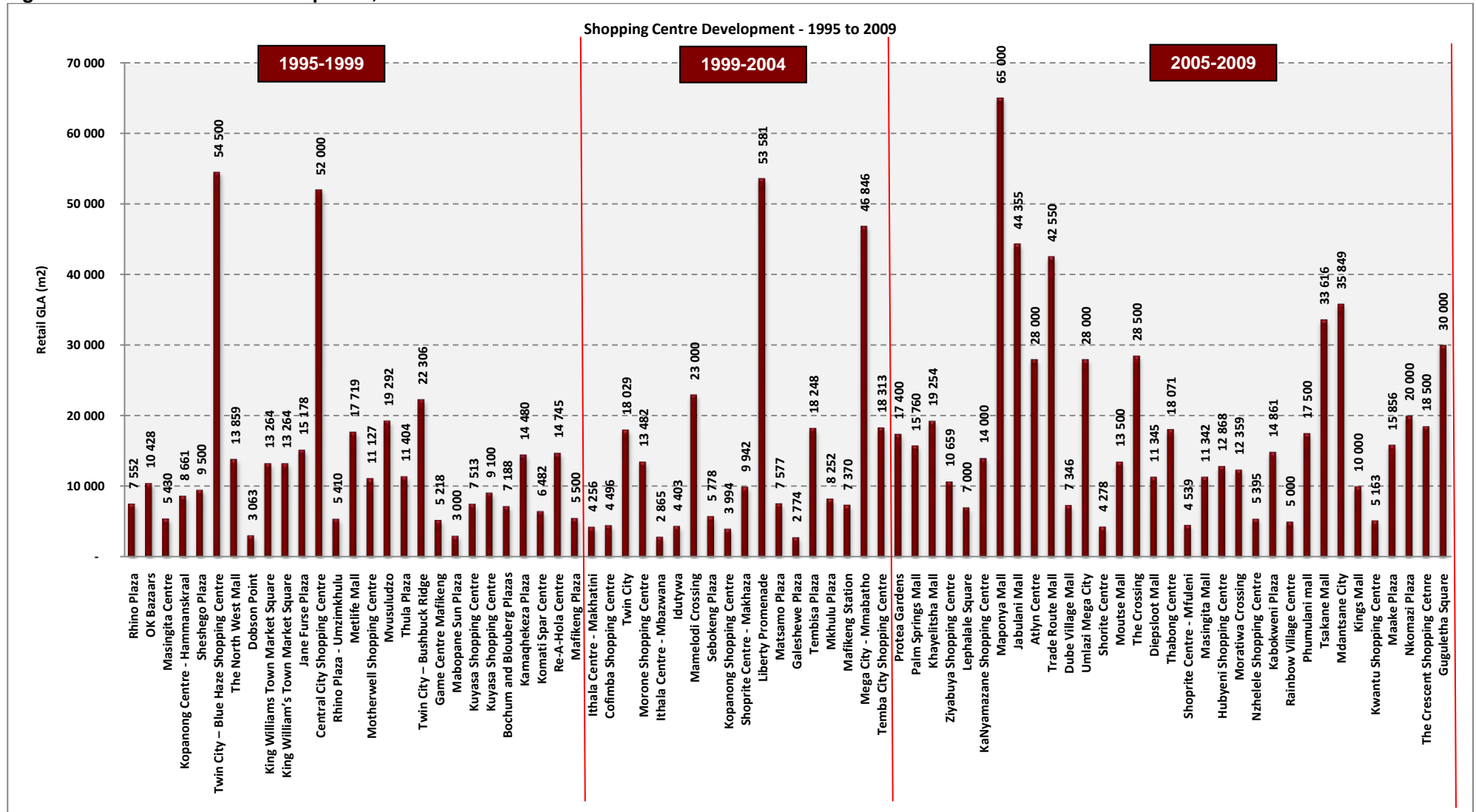
Source: Demacon, 2009

Findings: (Figures 4.2 to 4.10)

✓ Retail centre development in second economy areas increased nationally between 1962 and 2009 – particularly in the post 1990 period.

✓ The majority (64.9%) of these centres were developed post 1994 and 35.1% pre-1994.

✓ In terms of retail floor space developed, it is evident that the largest bulk has been developed post 1994 (75.5% of total retail floor space developed), especially in the periods 1995 to 1999 (22.8%) and 2005 to 2009 (37.6%).

✓ The average size of retail centres increased from a mere 6 500m^2 retail GLA to nearly 20 000m^2 retail GLA over this time period.

✓ The smallest retail centres varied between approximately 2 200m^2 retail GLA and approximately 4 300m^2 retail GLA.

✓ The largest retail centres increased from a mere 11 000m^2 retail GLA to an impressive 65 000m^2 retail GLA.

✓ Pre-1990, mostly local convenience and neighbourhood centres were developed. Post 1990 a stronger trend of building community centres developed and post 1994 regional centres became part of the mix.

✓ Average number of shops increased to the 50s during the pre-1994 period, from which it declined to the 40s between 1995 and 1999, escalating to nearly 60 between 2005 and 2009.

✓ The main centres developed between 1962 and 2009 include:
  • Bafokeng Plaza – 27 000m^2
  • Chatsworth Centre – 41 447m^2
  • Setsing Centre – 26 154m^2
  • Westgate Mall – 30 115m^2
  • Twin City – 54 500m^2
  • Central City – 52 000m^2
  • Liberty Promenade – 53 581m^2
  • Mega City – 46 846m^2
  • Jabulani Mall – 44 355m^2
  • Maponya Mall – 65 000m^2
  • Trade Route Mall – 42 550m^2
  • Tsakane Mall – 33 616m^2
  • Mdantsane City – 35 849m^2.

4.4.2   PROVINCIAL DEVELOPMENT TRENDS

Subsequent figures illustrate the development trends pertaining to retail centre development in second economy areas on a provincial basis.

Date of first Second Economy Retail Centre

Figure 4.11: Date of First Second Economy Retail Centre
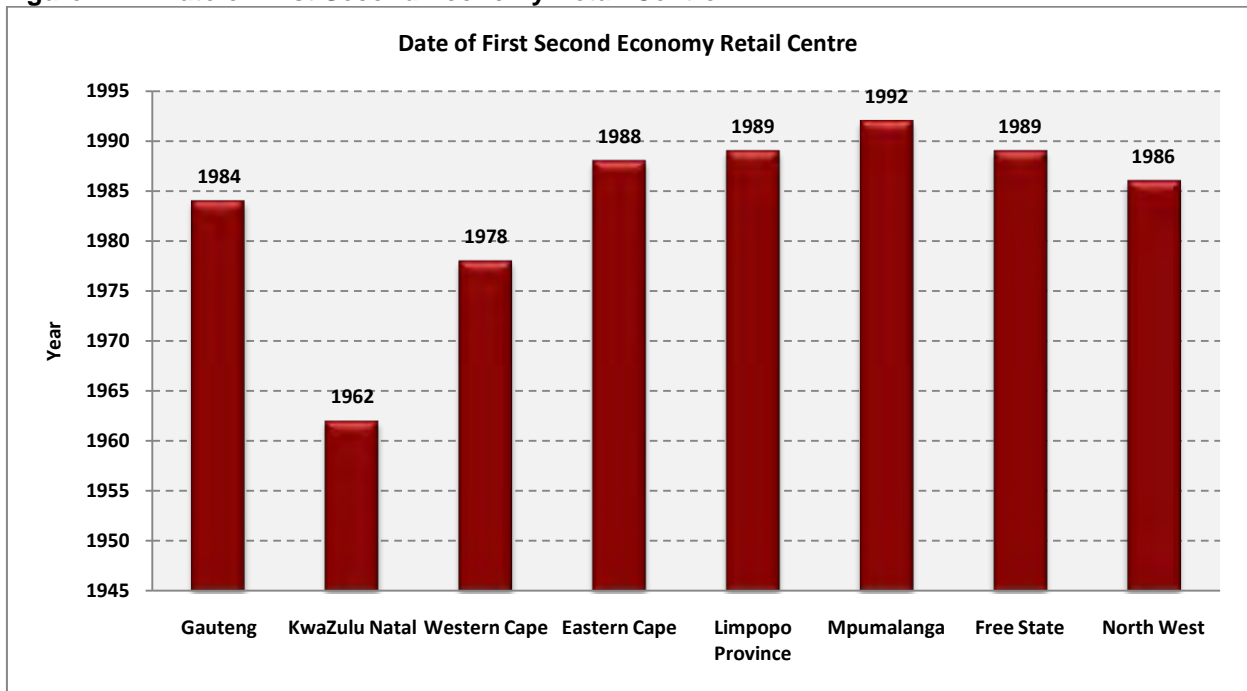
Source: Demacon, 2009
Note: This is based on centres where development dates are provided.
No retail centres are identified within the Northern Cape Province.

Total number of Second Economy Retail Centres

Figure 4.12: Total Number of Second Economy Retail Centres
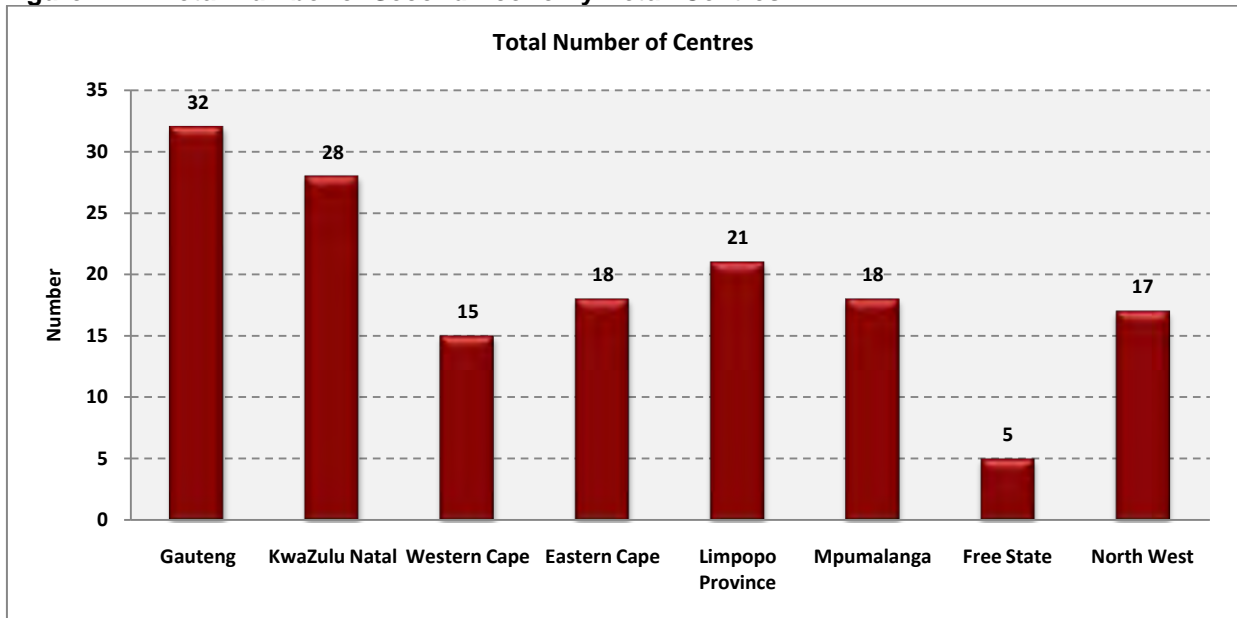
Source: Demacon, 2009

Total Retail Floor Space contributed by Second Economy Retail Centres

Figure 4.13: Total Retail Floor Space in Second Economy Areas

Total Retail Floor Space

Retail GLA (m2)

Gauteng	KwaZulu Natal	Western Cape	Eastern Cape	Limpopo Province	Mpumalanga	Free State	North West
494 300.0	265 334.0	203 625.0	188 141.0	223 557.9	286 197.0	73 989.0	201 278.8
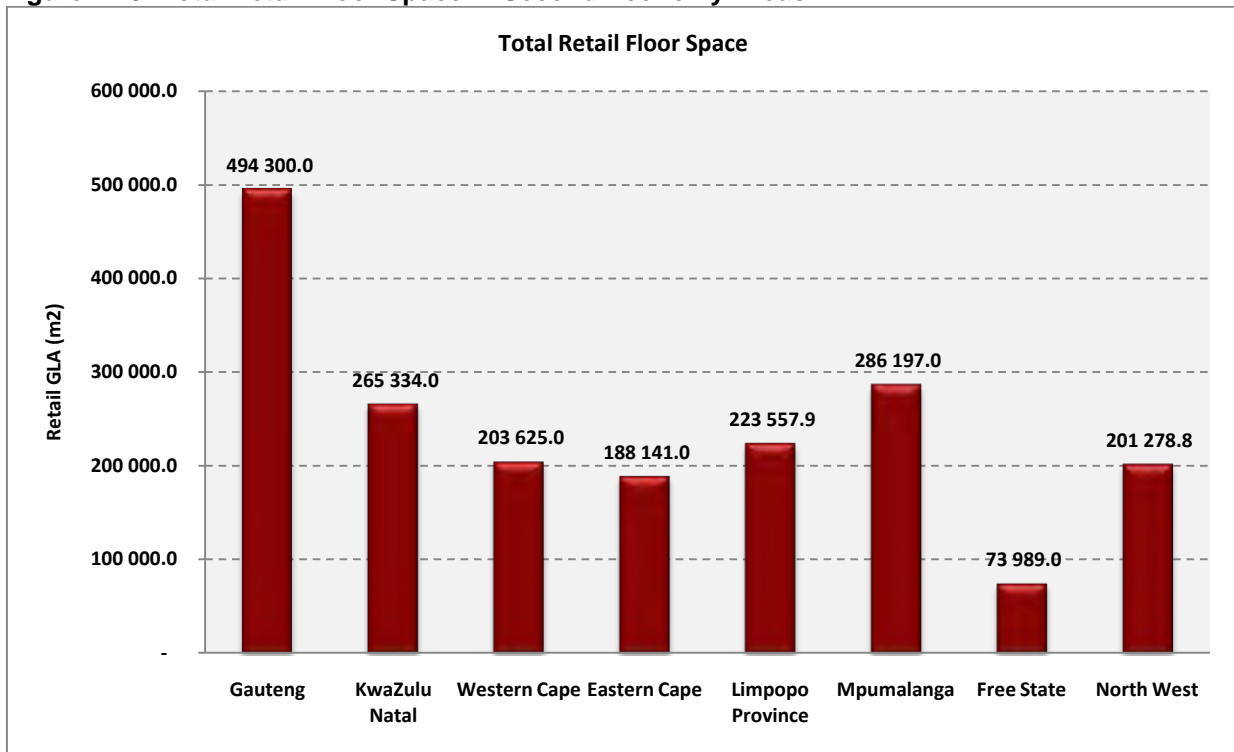
Source: Demacon, 2009

Provincial Contribution of National Second Economy Retail Floor Space

Figure 4.14: Percentage of National Second Economy Retail Floor Space

Percentage of Total Retail Floor Space

Percentage (%)

Gauteng	North West	Mpumalanga	KwaZulu Natal	Limpopo Province	Western Cape	Eastern Cape	Free State
25.5	13.7	10.5	9.7	11.5	14.8	3.8	10.4
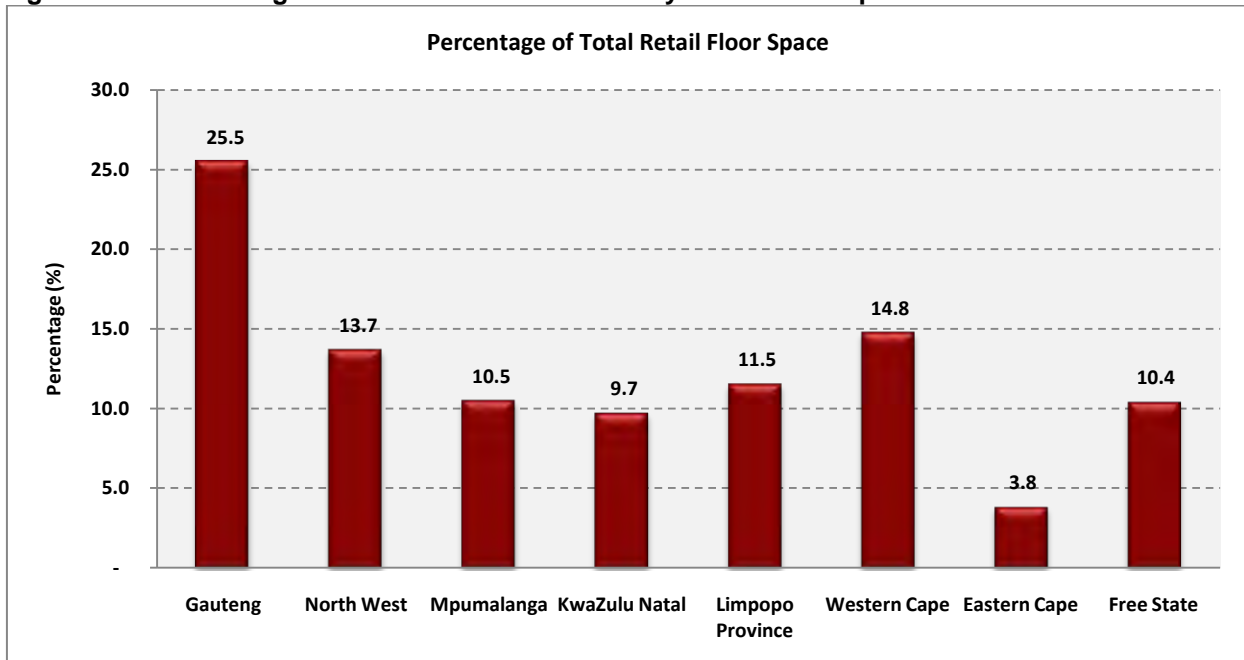
Source: Demacon, 2009

Average Second Economy Retail Centre Size

Figure 4.15: Average Retail Centre Size in Second Economy Areas

Average Centre Size
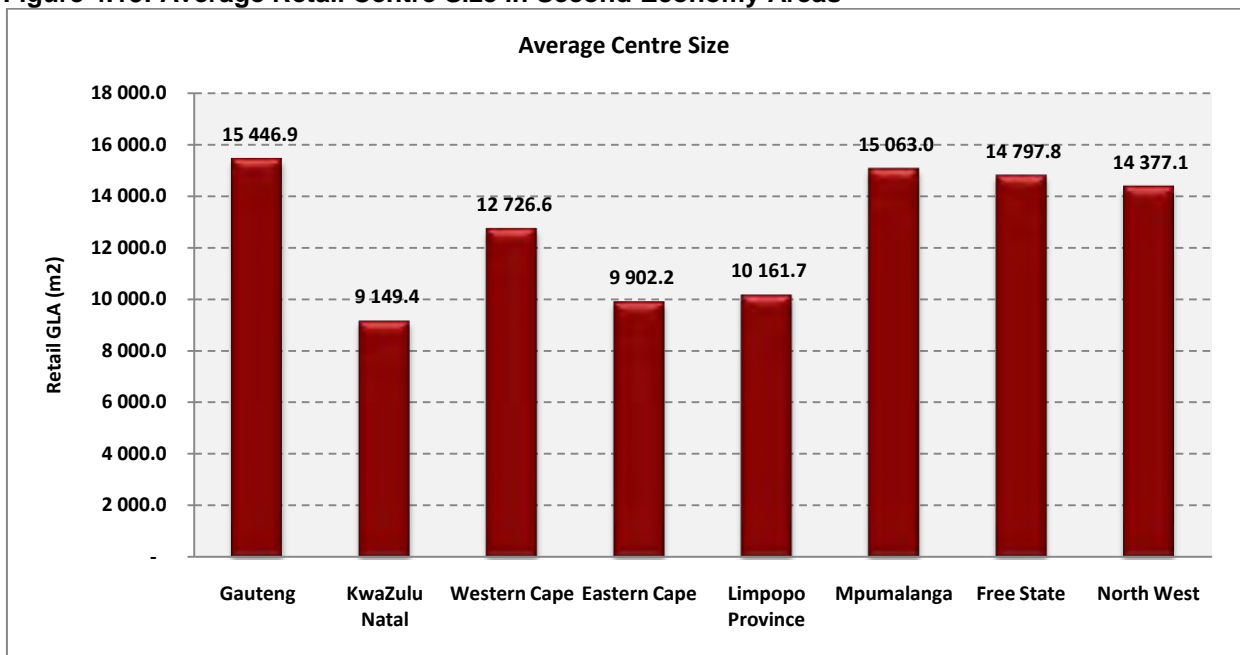
Source: Demacon, 2009

Minimum and Maximum Sizes of Second Economy Retail Centre Size

Figure 4.16: Smallest and Largest Centre Sizes in Second Economy Areas

Smallest versus Largest Centres
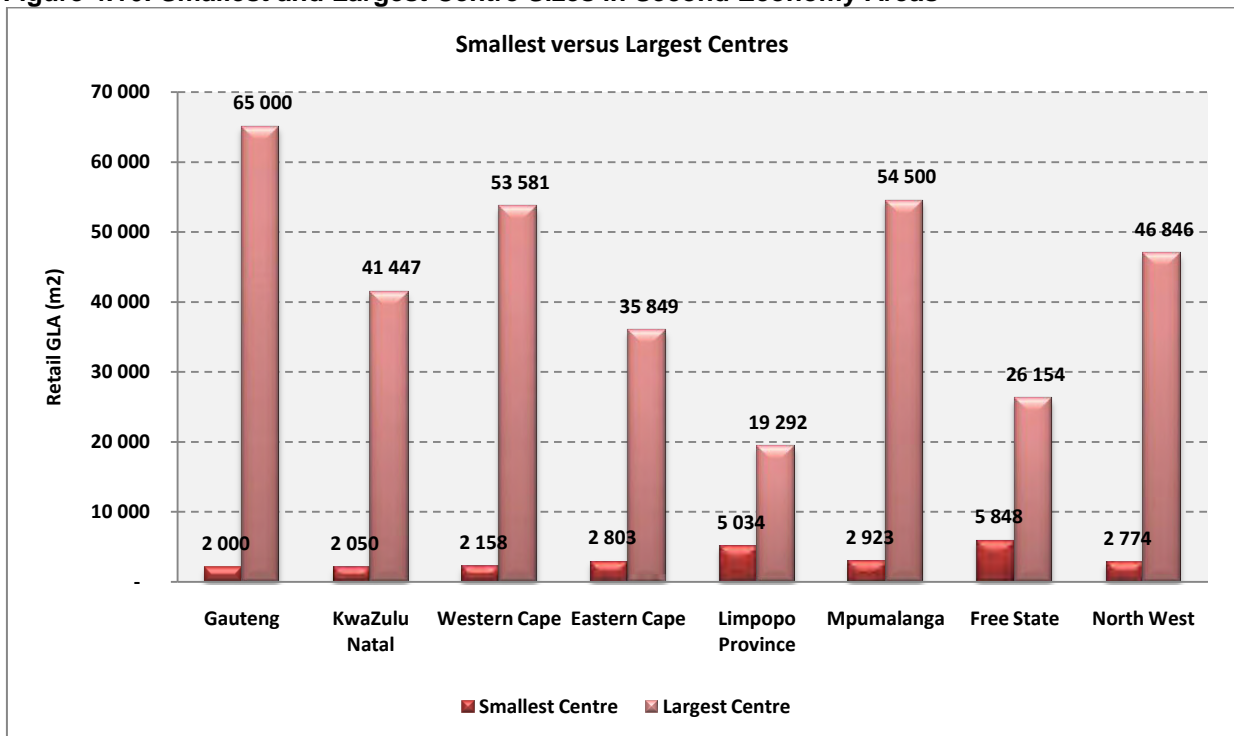
Source: Demacon, 2009

Functionality of Second Economy Retail Centres – Percentage Distribution

Figure 4.17: Functionality of Second Economy Retail Centres by Province
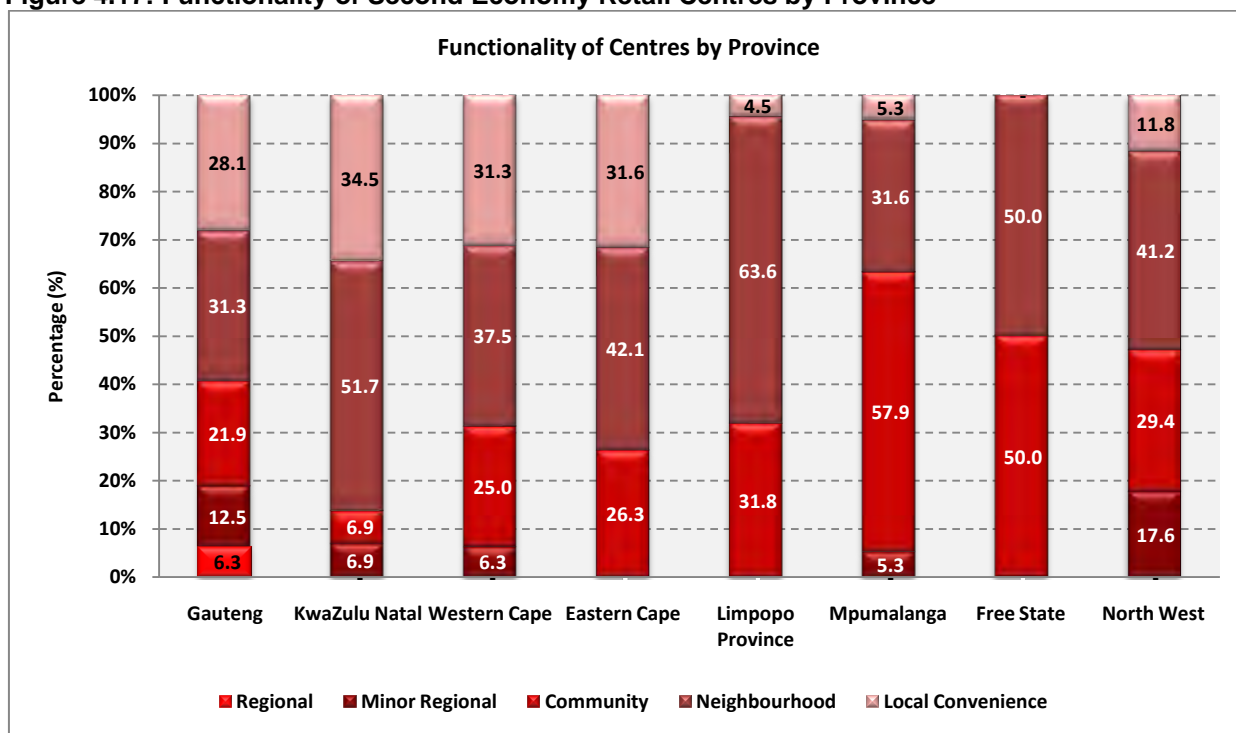
Source: Demacon, 2009

Dominant Anchor Tenants by Province

Table 4.2: Dominant Anchor Tenants by Province

	Gauteng	KZN	Western Cape	Eastern Cape	Limpopo	Mpumalanga	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 & 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 'n Carry 5.2%	Ackermans **Spar** Woolworths 6.3%	Diskom Ellerines Jet Pick 'n Pay Std Bank Woolworths 4.2%	FNB Score 6.5%	Edgars 6.6%		Jet 7.9%

Source: Demacon, 2009

Findings: (Figures 4.11 to 4.17 and Table 4.2)

✓ It is evident that the first second economy retail centres were developed in KwaZulu Natal (1962), followed by the Western Cape (1978) and Gauteng (1984). Mpumalanga reflected the most recent retail centre development (1992).

✓ Gauteng boasts with highest number of retail centres in second economy areas – 32, followed closely by KwaZulu Natal with 28 centres. These provinces are followed by Limpopo (21), Eastern Cape (18), Mpumalanga (18), North West (17) and Western Cape (15). The Free State is characterised by five centres and no retail developments are present in the Northern Cape second economy areas.

✓ In terms of total second economy retail floor space it is evident that Gauteng ranks first with 494 300m^2 retail GLA, followed by Mpumalanga with 286 197m^2 retail GLA and KZN with 265 334m^2 retail GLA, Limpopo with 223 557.9m^2 retail GLA, Western Cape with 203 625m^2 retail GLA, North West with 201 278.8m^2 retail GLA and the Eastern Cape with 188141m^2 retail GLA. The Free State is characterised by a fairly low figure of 73 989m^2 or retail GLA in its second economy areas.

✓ Gauteng accounts for 25.5% of the total national second economy retail floor space, Mpumalanga accounts for 14.3%, North West accounts for 13.7%, KZN accounts for 13.2% and Limpopo for 11.1%, Western Cape for 10.1%, the Eastern Cape for 9.4% and the Free State for a mere 3.7%.

✓ In terms of the average centre size, s Gauteng boasts the largest average size of 15 446.9m^2, followed by Mpumalanga (15 063.0m^2), Free State (14 797.8m^2), North West (14 377.1m^2), Western Cape (12 726.6m^2), Limpopo (10 161.7m^2), Eastern Cape (9 902.2m^2) and KZN (9 149.4m^2).

✓ The province with the smallest centre size is Gauteng with 2 000m^2 retail GLA. In general, the smallest centres vary between 2 000m^2 and 5 848m^2 retail GLA.

✓ The province with the largest centre size is Gauteng with 65 000m^2 retail GLA. In general, the largest centre sizes vary between 19 292m^2 and 65 000m^2 retail GLA.

✓ Gauteng reflects the most diverse functionality – including regional, minor regional, community, neighbourhood and local convenience centres. Gauteng is followed by North West, KZN, Western Cape and Mpumalanga, which also have a diverse functionality profiles. Eastern Cape, Limpopo and the Free State reflect less diverse functionality profiles – with only community, neighbourhood and local convenience centres.

✓ Supermarkets mainly represent the top anchors in second economy retail centres in the, except for KZN where Ithala Bank is the top anchor, and the Eastern Cape where it is Pep.

✓ In terms of the dominant anchor tenants, it is evident that the 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 made it to the top five anchor tenants in KZN, Eastern Cape and Limpopo respectively.

✓ Boxer and Rhino Cash 'n Carry also made it to the top five anchor tenants in KZN and Eastern Cape.

Overall Second Economy Shopping Centre Impact

Table 4.3: Overall Impact of Second Economy Shopping Centres in South Africa (Net Present Values)

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

Source: Demacon, 2010

Overall, it is evident that second economy shopping centre development contributed to R34.2 billion worth of business sales, R2.5 billion worth of business tax and R166 million worth of rates and taxes, and approximately 54 300 permanent jobs to the national economy since the 1980s. Here, emphasis must be placed on the fact that these contributions came from business tax and rates and tax income that are not obtainable from informal businesses.

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Figure 4.18: Overall Impact of Second Economy Shopping Centres in South Africa

Overall Impact

- Investment Value: 21 153
- Business Sales: 34 171
- Permanent Jobs: 54 300
- Business Taxation: 2 477
- Rates and Taxes: 166
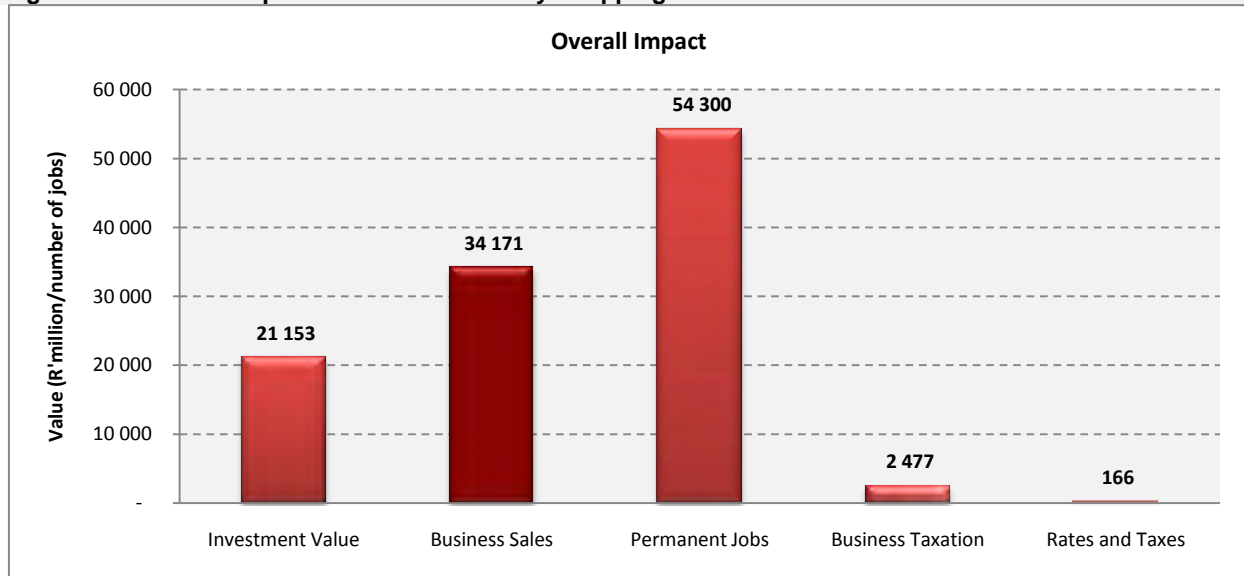
Source: Demacon, 2010

4.5   GENERAL SUPPLY TRENDS AND CENTRE PERFORMANCE

Subsequent paragraphs highlight general trends underlying centre development in second economy areas. This information is supported by an indication of the performance of these centres within these economies.

Emerging Retail Boom:
- ✓ A strong focus is placed on the development of high density commercial nodes in second economy areas – predominantly in areas characterised by high levels of accessibility, which frequently incorporatepublic 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 investment in these nodes has become evident.
- ✓ Since the late 1990s, South African townships have emerged as the new market for national retailers – especially supermarket chains.
- ✓ The increasing movement of retailer chains into previously untapped middle- and lower-income markets has resulted in a substantial increase in shopping mall development in these second economy areas.
- ✓ This trend emerged as a result of changed perceptions regarding the black consumer market.   Since 1994, the stigma clinging to the second economy consumer market started to lessen, and retailers acknowledged that consumer expenditure is related to the level of consumer income (LSM profile) and not race. Changes in the general income profile of the black community have also led to the rise of the black middle class, with high aspirational values and a demand for luxury items.
- ✓ Due to the high level of developments in the general middle income suburbs and the stagnation of these markets, developers started to shift their focus to underdeveloped second 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 the 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.

✓ It has been 15 years since the first modern township mall was built in Dobsonville, Soweto for less than R10 million (built in 1994). Since then the rise of township shopping centres has forced marketers to consider them a real force in the retail industry. Shopping centres are now developed at costs up to R700 million – e.g. Maponya Mall in Soweto[50].

✓ In the townships adjacent to Cape Town there is the Nyanga Junction Mall, Vantage Mall, Westgate Mall, Towncentre and Khayelitsha Mall. On the other hand the Durban KwaZulu Natal province boasts the Umlazi and Dube Village Malls. Gauteng, with townships such as Soweto, has Maponya Mall, Jabulani Mall, Dobsonville Mall, Protea Gardens and Bara Mall. 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[51].

✓ The Public Investment Corporation (PIC) has been behind a slew of recent investments in township areas. Wayne van der Vent (PIC's head of properties) said that when they started investing in townships in 1997 not much had happened. He indicated that in Soweto, it is only in the past five to six years that everything started to explode. He said that the PIC's portfolio consists of 26 retail centres in townships, with 350 000m^2 GLA. Eleven years ago there was not even 50 000m^2 GLA in total. This indicates the retail growth taking place in these areas. He also emphasised that this phenomenon was largely only true for the retail market - investment in the office and residential markets was limited due to supply and demand aspects. In addition, he emphasised the importance of government commitment and investment to assist in the development of these markets.[52]

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

National Grocers are moving into townships:

✓ **Pick 'n Pay:** Pick 'n Pay has been entering markets in which it was previously not established under the Pick 'n Pay brand – by converting Score Stores and by opening new stores in greenfield developments. This has been done mainly via 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 has more than 100 stores in mainly black areas and a significant portion of the group's expansion over the next few years will be into similar areas. For the consumer, access to the modern retailing infrastructure of the large chain stores means wider choice at lower prices[53].

✓ The food offering is tailored to suit local needs, and with good quality and competitive pricing it is hardly surprising that Pick 'n Pay outlets are becoming the preferred retail store in these areas.

✓ **Super Spar:** the 2 600m^2 SuperSpar anchoring the Philani Mall in Umlazi, Durban, set a national trading record for Spar outlets on opening day – eclipsing the performance of the Elim Spar in the Hubyeni Shopping Centre.[54] Spar (3 000m^2) in Umlazi Mega City generated a turnover of R850 000 on opening day and has achieved an average trading density of R2 300/m^2 since then, which is considerably higher than trading densities usually generated by food retailers in suburban malls.

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[50] Source: Creative Intelligence. April. 2009. The rise of township shopping malls.

[51] Source: cms.privatelabel.co.za. S. Mabotja. May 2008. Retail footprint: Developers are making strides in the townships.

[52] Source: www.thepropertymag.co.za. 2009. Township Investments.

[53] Source: Eprop. C. Bisseker, September 2006. Retailers Drive into township market threatens spaza shops.

[54] Source: Eprop. SA Corporate RE. August. 2008. Township Spar sets national opening-day trade record.

✓ Evan Walker, a retail analyst at RMB Asset Management, indicated that Shoprite and Spar had been the biggest beneficiaries of having stores positioned in rural areas and townships. This had helped the two groups to gain market share from independent grocers. Pick 'n Pay was transforming their Score supermarkets into Pick 'n Pay stores, but had not opened any new ones, causing it to lose out to Spar and Shoprite.[55]

Tenant Mix

✓ In general, centres in second economy areas are required to include 70% to 75% national tenants, 15% regional tenants, with the remainder being local entrepreneurs. According to Future Growth Community Property Fund (CPF), a lot of churn has taken place in terms of small stores over the past 18 months[56]. Where these stores could not pay their rent, theywere encouraged to close down and cut their losses. Despite this movement, vacancies in their centres have not exceeded 4% according to James Hower, the portfolio manager of the fund.

✓ He says that the performance of the big national chains has meant the losses incurred due to smaller tenants defaulting on rent have been minimal. He also indicated that the stores still deliver returns because most centres include stores that mainly sell basics – such as food, clothing and building supplies. He also said that retrenchments did not seem to have affected their centres – e.g. their 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.

General Retail Centre Performance

✓ The success of township centres is evident from the growth in retail sales and trading densities: for example Umlazi Mega City (35 000m^2) in Durban – which achieved a 17% growth in retail sales in December 2007 compared to December 2006. Retailers were achieving trading densities of more than R20 000/m^2/annum at the centre. These turnovers were achieved despite the series of interest rate hikes and the introduction of the NCA. Another indication of growth is evident from the request by the local taxi association for additional rank space.[57]

✓ Maponya Mall in Soweto (66 000m^2) is turning over close to R80 million per month, which compares well with other regional malls in Johannesburg. Management's gross turnover target for the first year of operation was R960 million. The mall ended its first year at around the R930 million mark – which is 3% below the projected turnover. Adam Blow, director of Zenprop, indicated that they are satisfied with the performance under current economic conditions. He also indicated that approximately 7% of their stores are trading below par – a level that they are comfortable with given that a number of those tenants have never traded in a formal retail environment.

✓ Vangate Mall (30 000m^2) in Athlone, Cape Town, is currently sitting at an average trading density of R27 000/m^2/annum compared with the industry average of R20 000 to R22 000/m^2/annum.

✓ Centre managers also indicated that it is difficult to generalise about what works best in township malls – upmarket stores are not necessarily the ones in trouble. To a great extent shops offering credit perform better, as do restaurants with liquor licenses.

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[55] Source: www.fastmoving.co.za. Shoprite's turnover races 27% higher.
[56] Source: Business Report, S. Enslin-Payne. October. 2009. Tenant Mix shields CPF's malls.
[57] Source: Eprop. SA Corporate Real Estate Fund, January. 2008. Umlazi Residents set to buy 25% stake in Township Mall

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✓ It is also evident that what works in one township does not necessarily work in another. Tenant mix, product offerings and size have to be very site specific,says SA Corporate Retail Estate Fund's CEO, Craig Ewin.

✓ Des de Beer, MD of the Resilient Property Group, indicated that the township shopping centres are generally weathering the current consumer downturn better than their suburban counterparts. He says that black consumers have little debt, so higher interest rates don't affect their spending. However, he commented that some retail sectors are taking strain – such as some takeaway chains, and stores selling non-essential items, such as homeware and furniture.[58]

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

✓ Retail centres in these areas are also experiencing an increase in value – for example, Daveyton Mall (East Rand) experienced a value increase from R49 million to just more than R70 million over a two year period.

Impact on Spaza Stores and Informal Trade

✓ The informal sector forms the economic foundation of many black communities, with profits being circulated within the township and supporting downstream industries. Informal trade is also one of SA's biggest employment creators. It is therefore important to protect these traders against the impact of formal retail centres in these areas[59].

✓ New ventures have emerged: Achib has launched an initiative to safeguard the livelihoods of the 137 000 hawkers it counts as members. Its approach has been to become a co-operative so that it can make purchases as a single entity on their behalf. The idea is to create a network of branded MyStore Co-operatives in townships, owned by entrepreneurs that will act as wholesalers to the retailers in the group. By creating large national buying organisations that deliver stock to centrally located MyStores, Achib believes it can reduce retailers' costs by about 10%. Spaza shops and retailers will be able to brand themselves as Neighbourhood Co-operative Stores.

✓ However, the biggest problem members have is the lack of business and retail merchandising knowledge, lack of access to finance and their inability to secure volume discounts from wholesalers.

✓ Through this initiative members will receive a R5 000 credit line and overnight storage facilities, after training is completed.

✓ In order to absorb the impact of the formal retail centres in these areas, big retail companies are being encouraged to partner with small township players, and local and metro councils are coming up with various projects to create jobs and develop SMMEs.

✓ Branded 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.[60]

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[58] Finweek. J. Muller. October. 2008. Township Trade: Pumping or Slumping?

[59] Source: Eprop. C. Bisseker. September. 206. Retailers' drive into the townships threatens spaza shops.

[60] Source: cms.privatelable.co.za. S.Mabotja. May 2008. Retail footprint: developers are making strides in the townships.

4.6   INITIAL RETAIL CENTRE DEVELOPMENT INDICATORS AND RISK PROFILE

The success of retail centre developments in second economy areas relates to a number of factors, and over time certain indicators have become apparent. These indicators are listed hereafter – and will be refined – based on the findings of the market research.

- ✓ Location of the centre is critical: emphasis is placed on location at highly accessible places such as public transport interchanges or railway stations where high concentrations of potential consumersare found on a daily basis.
- ✓ Size of the centre: the size of the centre will vary based on the characteristics of the area and the potential consumer market. Retail centres in these areas, however, should not be smaller than 10 000m^2 of retail floor space – else financial institutions will not get on board.
- ✓ Second economy areas have, in recent years (i.e. over last five years), experienced the development of fully fledged regional malls as indicated in the section above.
- ✓ These centres should be configured in such a manner that they consist of open and enclosed spaces – providing sufficient space to accommodate the mass of consumers moving through them.
- ✓ Developers should refrain from introducing low-key, second rate centres to these areas - market research has proven that these communities have well defined aspirational values and wish to see national brands represented in their areas. Due to the increasing interest of national retailers in these areas it has become a lot easier to obtain their buy-in.
- ✓ Centres in these areas are typically focused on convenience, offering a pleasant and sociable shopping experience. An increasing number of successful 'destinations' are being developed, also including higher order semi-durable and durable goods.
- ✓ Stores need to be created that work for the markets without downgrading the brand image.
- ✓ In terms of current trends, tenant composition should generally be at a ratio of 70% national tenants and 30% regional and local tenants.
- ✓ Flexible trading hours are key to success, as are security, cleanliness and effective management.
- ✓ Informal trading should be addressed in a positive way.
- ✓ Local buying is crucial to the development process and success – the community should understand the benefits of the business node.
- ✓ Each centre should be developed to address the specific needs of that local consumer market – this is important because vast differences exist between second economy nodes in South Africa.

Risk Profile:

Most South African investors have identified and defined their niche in the market to the extent that there is a clearly identifiable spectrum of investors with specific sectoral and / or geographic location preferences. Most funds and syndicates involved in the retail market have a premeditated strategy and focus – mainly on either first or second cconomy markets, and furthermore, they are specific in terms of certain shopping centre types / order sizes. Hence, given site locality and the nature of the market, the potential spectrum of investors / funds most likely to show interest in a project can be narrowed down with a fair degree of certainty.

The delicate balance between real estate risk and return allows the investor to constantly evaluate and either proceed with or terminate the investment process during any given step. 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 investment groups have developed a highly simplified (though pragmatic) model which enables them to perform an initial first round filtering (scoping / screening) exercise and eliminate projects with unappealing risk profiles.

✓ Are there 100 000 people within a 10 km radius (or at the very least 60 000 – 70 000)?
✓ Can the site accommodate a development of 15 000m^2 or more (or at the *very least* 10 000m^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? Can the absence of a land claim be verified? Is the local tribal authority agreeable to an equity stake of between 3% and 7.5% in the project? Does this correlate to the approximate cost of providing developable land for the project?
✓ 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 from the closest 'old town' CBD (10km)?
✓ Is it a 'greenfields' development OR is demolition and redevelopment required?
✓ Are there any onerous obligations that may increase the project risk, including complex / cumbersome site assembly (multiple land owners – private or public); inappropriate zoning and the need to rezone; social obligations and political expectations?
✓ Will the development be in a position to dominate the local market?
✓ Do local conditions allow for a modern design and national tenant driven mix?
✓ Could an initial first year minimum income yield of at least 9%-10% be achieved?
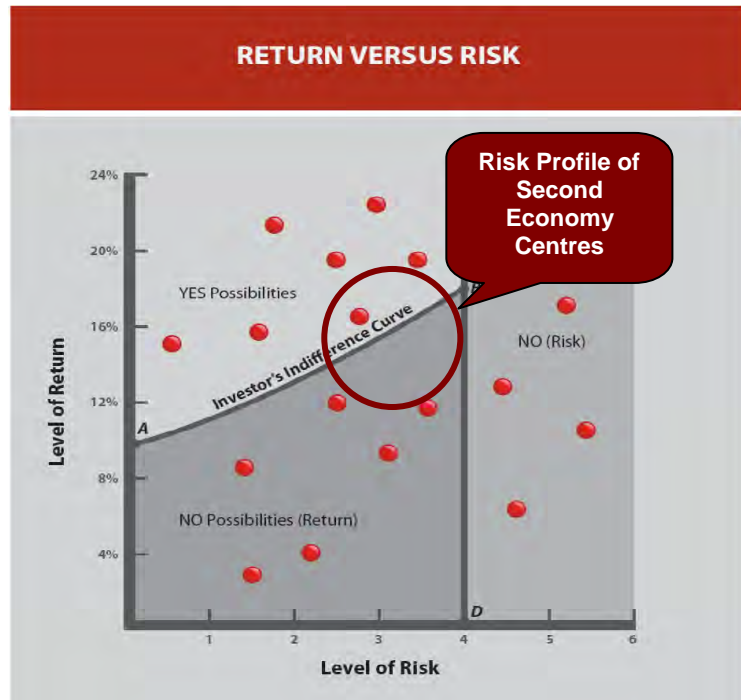
Figure 4.19 illustrates the dynamics of second economy shopping centres. The graph shows the relationship between centre size, the distance of a centre from the town CBD and the primary market population. The figure indicates three "zones"; an ideal zone, the medium risk zone and a high risk zone. These zones indicate the risk involved in developing a centre that falls within various combinations of the three variables (market population, centre size and distance from CBD). A centre of 10 000 m^2 serving a primary market population of 60 000 people and which is located 8km from a town CBD will fall within a high risk zone. A centre of 20 000m^2 serving a primary market population of 100 000 located 10km from town CBD will fall within the medium risk zone.

Figure 4.19: Second Economy Shopping Centre Dynamics

Source: Du Toit, Phd (in process)

4.7   SYNTHESIS

This chapter highlighted the general trends underlying retail centre developments in second economy areas, their roles within nodal development and their importance as anchor investments in these economies. It also touched on the debate about the applicability of the SACSC retail centre hierarchy in these second economy markets.

The supply side of the second economy retail market is characterised by the following trends:

✓ Retail centre development in second economy areas has increased nationally between 1962 and 2009 – particularly from the 1990s onwards.
✓ The majority (64.9%) of these centres have been developed post 1994 and 35.1% were developed pre-1994.
✓ In terms of retail floor space developed, it is evident that the largest bulk has been developed post 1994 (75.5% of total retail floor space developed), especially in the periods 1995 to 1999 (22.8%) and 2005 to 2009 (37.6%).
✓ The average size of retail centres increased from a mere 6 500m^2 retail GLA to nearly 20 000m^2 retail GLA over this time period.
✓ The smallest retail centres varied between approximately 2 200m^2 retail GLA and approximately 4 300m^2 retail GLA.
✓ The largest retail centres increased from a mere 11 000m^2 retail GLA to an impressive 65 000m^2 retail GLA since 1962 to 2009.
✓ Pre-1990, mostly local convenience and neighbourhood centres were developed. Post 1990, a stronger trend of building community centres developed, and post 1994 regional centres became part of the mix.

✓ It is evident that the first second economy retail centres were developed in KwaZulu Natal (1962), followed by the Western Cape (1978) and Gauteng (1984). Mpumalanga reflected the latest dated retail centre development (1992).

✓ Gauteng boasts the highest number of retail centres in second economy areas (31) and accounts for 22.0% of national second economy centre floor space.

✓ KwaZulu Natal boasts 28 centres, however it accounts for only 13.2% of national second economy retail centre floor space.

✓ Limpopo boasts 21 centres, accounting for 11.1% of national second economy retail centre floor space.

✓ Eastern Cape, Mpumalanga and North West have 18 centres each – accounting for 9.4%, 14.3% and 16.1% of national second economy retail centre floor space respectively.

✓ Western Cape has 15 centres and the Free State just 5 centres –accounting for 10.1% and 3.7% respectively of national second economy floor space.

✓ In terms of the average centre size, it is evident that North West has the largest average size of $17\,029.1m^2$, followed by Mpumalanga ($15\,063.0m^2$), Free State ($14\,797.8m^2$), Gauteng ($14\,267.7m^2$), Western Cape ($12\,726.6m^2$), Limpopo ($10\,161.7m^2$), Eastern Cape ($9\,902.2m^2$) and KZN ($9\,149.4m^2$).

✓ In terms of functionality it is evident that Gauteng reflects the most diverse functionality – including regional, minor regional, community, neighbourhood and local convenience centres. Gauteng is followed by North West, KZN, Western Cape and Mpumalanga, also reflecting a largely diverse functionality profile. Eastern Cape, Limpopo and the Free State reflect a less diverse functionality profile – having community, neighbourhood and local convenience centres.

✓ Overall: Gauteng, KZN, North West, Mpumalanga and Limpopo reflect the highest development and investment profile in terms of second economy retail centres.

✓ The top anchors in second economy retail centres in the provinces are mainly represented by national tenants - supermarkets (mostly Shoprite and Spar), except for KZN with Ithala Bank (Standard Bank and FNB also fall under the top five anchor tenants of other provinces) and Eastern Cape with Pep (Jet and Woolworths are also important clothing anchors in terms of the other provinces).

✓ Boxer and Rhino Cash 'n Carry also made it to the top five anchor tenants of KZN and Eastern Cape.

These centres are performing exceptionally well – as is evident from annual income, trading densities, low vacancies and the increased interest by national tenants in moving into these areas. Developers also developed an initial screening process to identify retail projects in these areas with acceptable risk profiles – from which basic indicators could be delineated to determine the success of retail projects.

Overall, it is evident that retail centre development is continuing along a positive trajectory in these areas – with emphasis on the township environments. It is therefore required to investigate the impacts of these developments on the local consumer market and local business environment. The following chapters are employed to reflect on these impacts by means of case studies and primary data collection methods.

CHAPTER FIVE: IN-DEPTH CASE STUDY ANALYSIS

5.1   INTRODUCTION

The purpose of this chapter is to serve as introduction to the case studies selected as part of the study to measure the impact of formal retail centre developments on local economies and the local business environment.   It provides a background to the national and provincial distribution of the case studies, the nature thereof and the types of areas in which they are located.

5.2   CASE STUDY SELECTION AND DISTRIBUTION

Six case studies were selected for the purpose of the study – reflecting a provincial distribution and variation in terms of the nature of second economy area in which each is located.   Five of the case studies reflect areas with a formal retail centre, and one case study – NkowaNkowa reflects an area with no formal retail centre.

Table 5.1: Case Study Location and Nature of Second Economy Area

Name	Location	Nature of Area
Jabulani Mall	Soweto – Johannesburg - Gauteng	Major Metropolitan Area – Township
Central City	Mabopane – Tshwane - Gauteng	Major Metropolitan Area – Township
Liberty Promenade	Mitchell's Plain - Cape Town	Major Metropolitan Area – Township
Umlazi Mega City	Umlazi - Durban - eThekwini	Metropolitan Area - Township
Thula Plaza	Bushbuckridge - Mpumalanga	Deep Rural
NkowaNkowa	Tzaneen - Limpopo	Rural Area

Two of the case studies are located in Gauteng, one in KwaZulu Natal, one in Cape Town, one in Mpumalanga and one in Limpopo. The following maps illustrate their location on a national and provincial basis.

Map 5.1: National Distribution of Case Studies
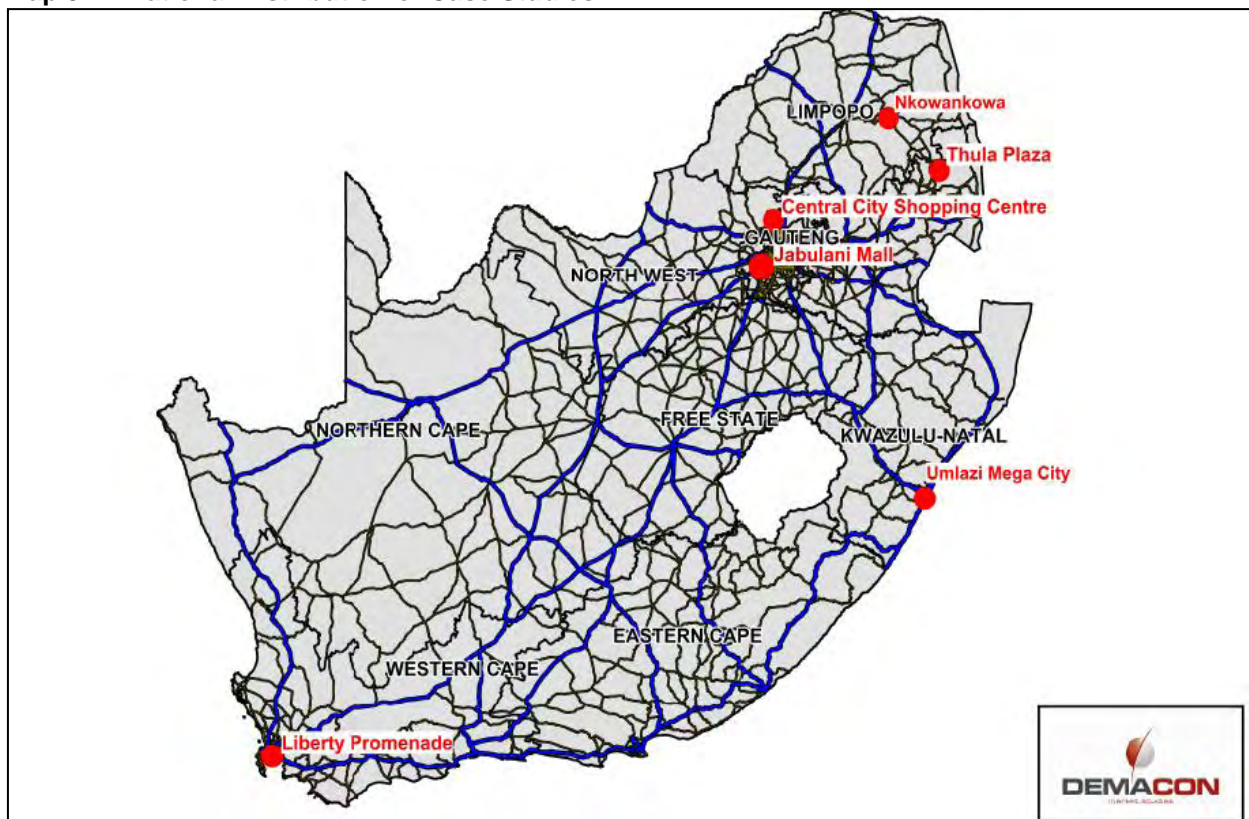
Source: Demacon, 2010

Map 5.2: Gauteng Case Studies Location
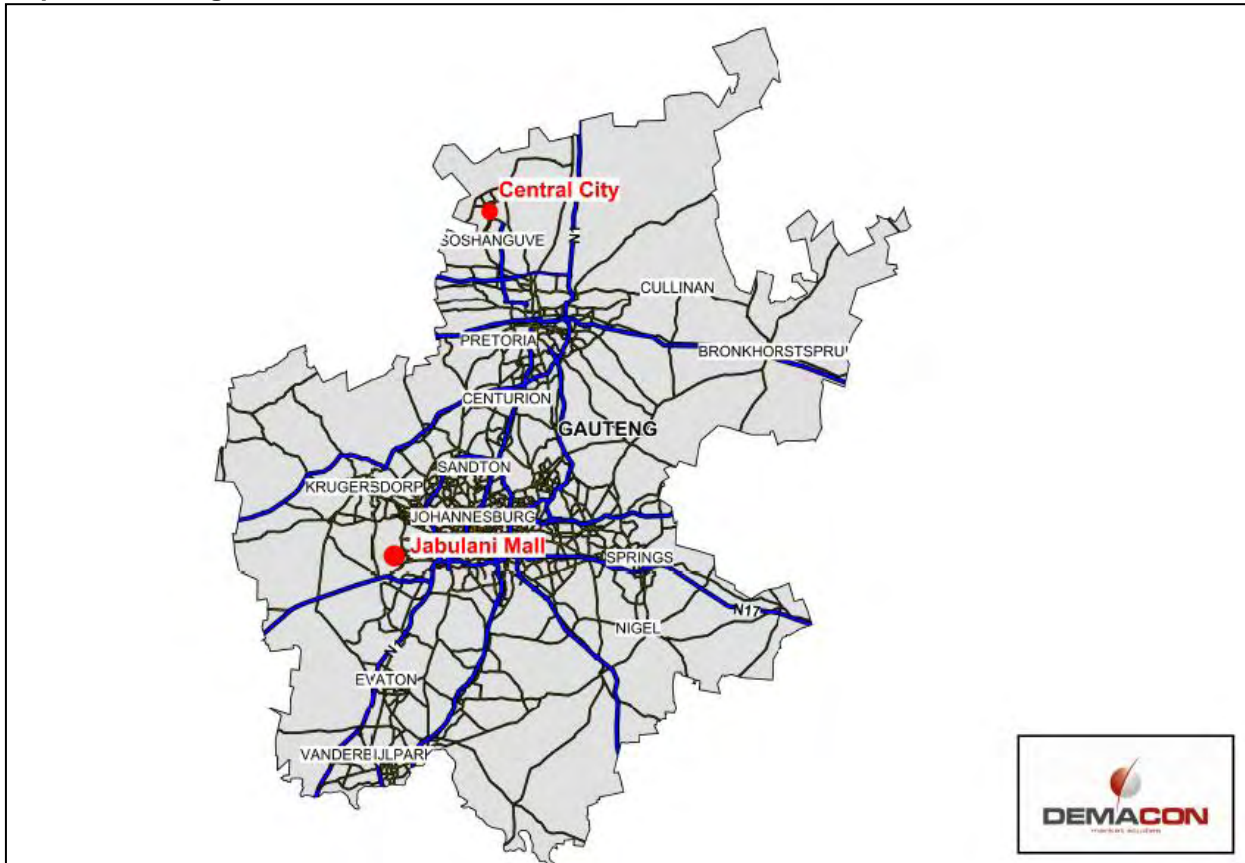
Source: Demacon, 2010

Map 5.3: Cape Town Case Study Location
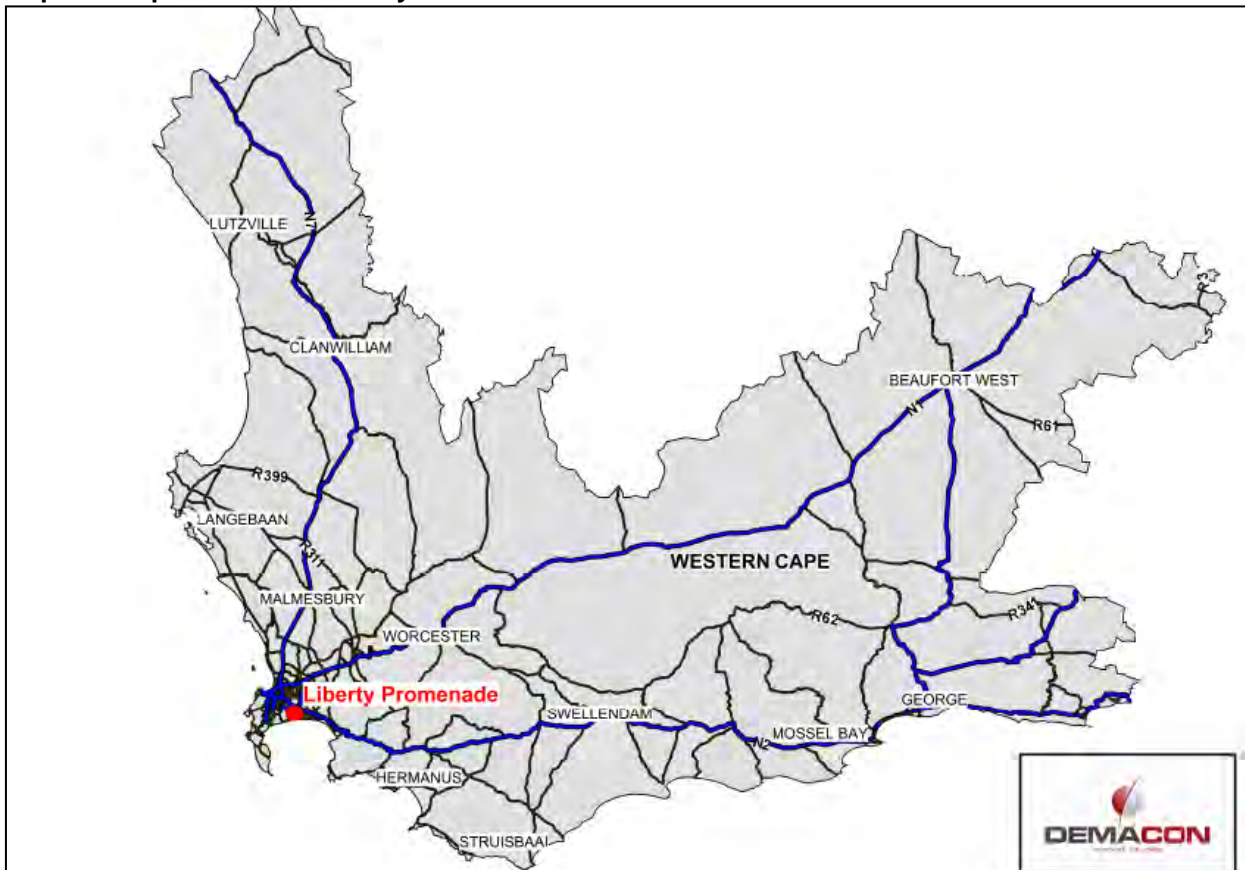
Source: Demacon, 2010

Map 5.4: KwaZulu Natal Case Study Location
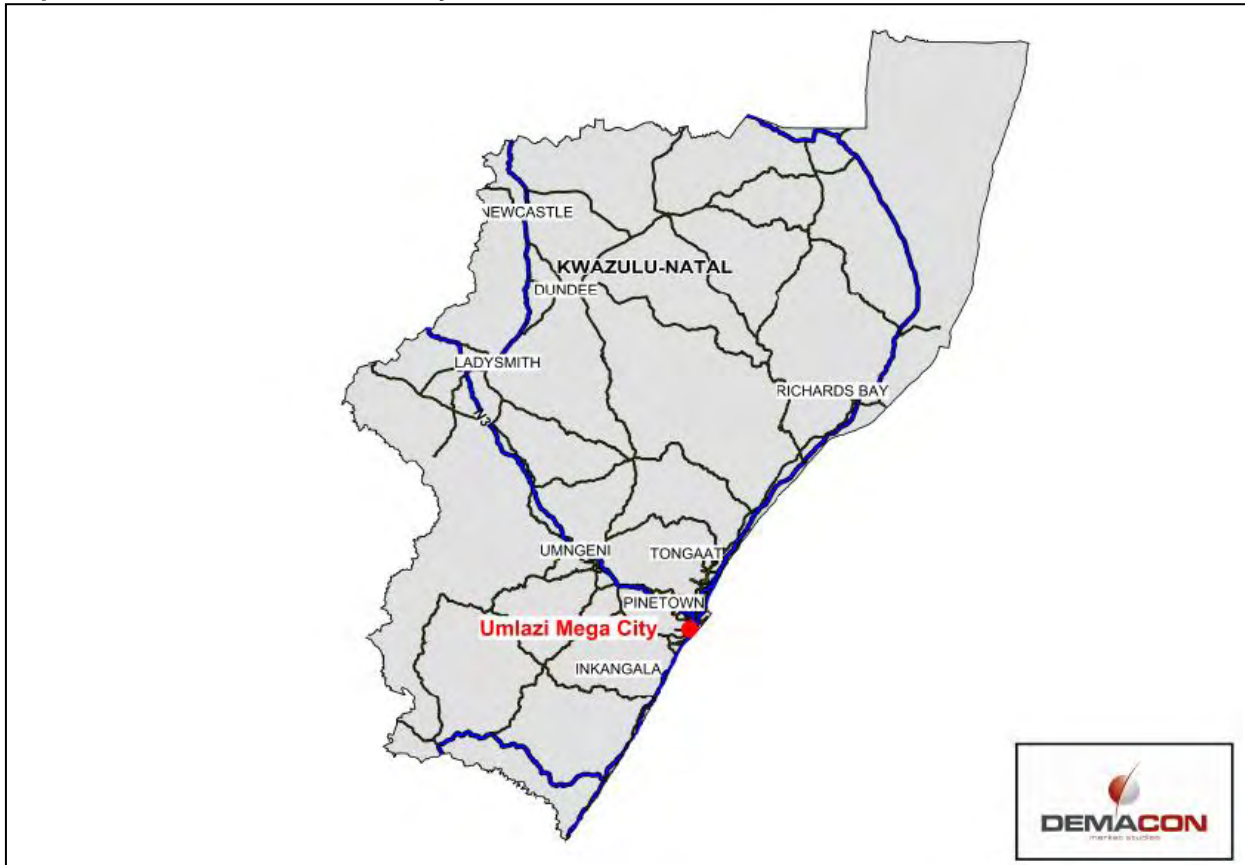
Source: Demacon, 2010

Map 5.5: Mpumalanga Case Study Location
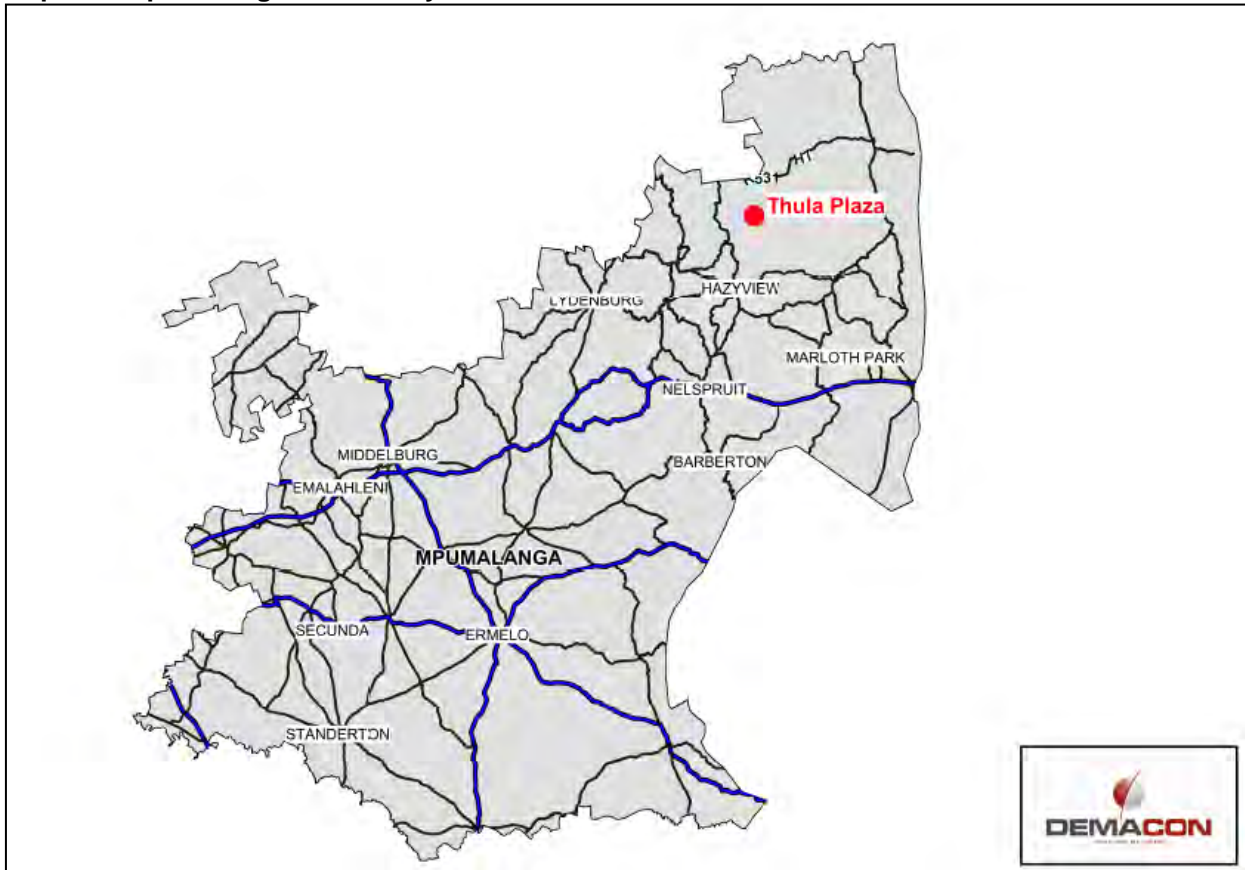
Source: Demacon, 2010

Map 5.6: Limpopo Case Study Location
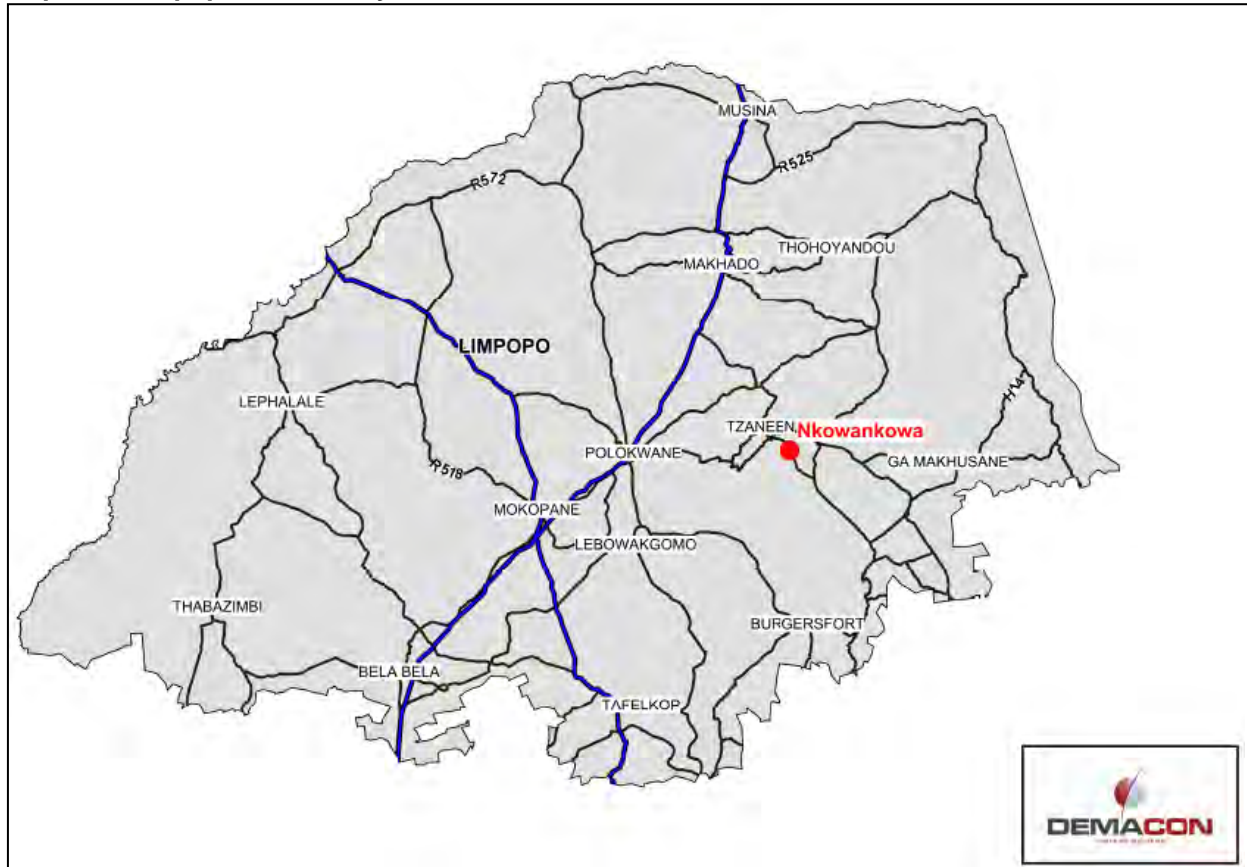
Source: Demacon, 2010

5.3   RETAIL CENTRE DETAILS

Table 5.2 provides more detail on each of the formal retail centres included as case studies.

Table 5.2: Case Study – Retail Centre Details

Name	Location	Type	Size	Date of Development	Parking Bays	Anchor Tenants
Jabulani Mall	Soweto	Minor regional	44 355m^2 104 shops	2006	156 covered 7 265 open	Shoprite Edgars Woolworths Game
Central City Shopping Centre	Mabopane	Minor regional	52 000m^2 90 shops	1996	1 030 open	Shoprite Score Clicks
Liberty Promenade	Mitchell's Plain	Minor regional centre	53 581m^2 150 shops	2003 Last refurbishment 2005	2 452 open	Edgars Woolworths Game Pick 'n Pay
Umlazi Mega City	Umlazi	Minor regional	28 000m^2 102 shops	2006	465 open	Super Spar Woolworths Jet Mr Price
Thula Plaza	Bushbuck Ridge	Community	11 404m^2 36 shops	1998 Last refurbishment 2003	Not specified	Score

Source: Demacon Ex. SACSC, 2009/2010

- ✓ It is evident that four of the centres represent minor regional centres and one a community centre.
- ✓ The sizes of the centres vary between 11 404m^2 retail GLA and 53 581m^2 of retail GLA.
- ✓ The numbers of shops in these centres vary between 36 and 150 shops.
- ✓ Anchors include Shoprite, Edgars, Woolworths, Game, Score Supermarket, Clicks, Pick 'n Pay, Super Spar, Jet and Mr Price.

5.4 SYNTHESIS

Subsequent chapters provide an in-depth assessment of each of these selected case studies utilising a 10km trade radius – reflecting current retail supply, socio-economic profile of the population and the findings of consumer market surveys conducted in each of these areas.

It should be noted that a large number of questions in these 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 within the subsequent chapters.

CHAPTER SIX: IN-DEPTH CASE STUDY ANALYSIS – JABULANI MALL

6.1 INTRODUCTION

Jabulani Mall represents a minor regional centre located in the traditional heartland of Soweto, Gauteng. The purpose of this chapter is multi-fold:

✓ Firstly, to provide a profile of the centre under investigation and its location in relation to surrounding supply;

✓ Secondly, to provide a socio-economic profile of the primary consumer market of the centre;

✓ Thirdly, to provide an overview of past and present consumer market behaviour, overall levels of satisfaction, perceived needs and preferences;

✓ Fourthly, to determine the overall impact that the development of the centre had on the local community and economy.

6.2 JABULANI MALL PROFILE AND LOCATION WITH REFERENCE TO COMPETITION

6.2.1 JABULANI MALL PROFILE

Table 6.1 provides a condensed profile of Jabulani Mall. Overall it is evident that it represents a minor regional centre of 44 355m^2 retail GLA, located on the corner of Koma and Bolani Roads, Soweto. It was developed in 2006 and consists of a single retail floor with 104 shops and 7 421 parking bays. It is anchored by Shoprite, Game, Edgars and Woolworths.

Table 6.1: Jabulani Mall Profile

Centre type	Minor regional centre
Centre size	44 355m^2 retail GLA
Location	Cnr Koma and Bolani Roads
Date of development	2006
Number of retail floors	1
Number of shops	104
Number of parking bays	156 covered 7 265 open
Anchor tenants	Shoprite – 4 000m^2 retail GLA Game – 6 000m^2 retail GLA Edgars Woolworths
Owner	Resilient Properties (Pty) and Masingita Property Investment Holdings (Pty) Ltd
Developer	Greenwold Property Developments (Pty) Ltd

Source: Demacon Ex. SACSC, 2010

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

Picture 6.1: Jabulani Mall[61]

Picture 6.2: Mall Layout[62]

6.2.2 JABULANI MALL LOCATION WITH REFERENCE TO EXISTING RETAIL SUPPLY

Map 6.1 indicates the location of Jabulani Mall with reference to existing retail centres within and just beyond a 10km radius. Table 6.2 provides an overview of the nature and size of these centres.

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[61] Source: www.jabulanimall.co.za
[62] Source: www.jabulanimall.co.za

Map 6.1: Location of Jabulani Mall and Other Retail Centres Within a 10km radius

Witpoortjie Shopping Centre - 7020m²

CheckersHyper Centre - Constantia Kloof-29113

African Crossing Sho

Kagiso Centre - 8,297m²

Beacon Isle - 2,091m²

Florida Lake Plaza - 6,847m²

Dobsonville Shopping Centre - 23,124m²

Meadow Point - 4,604m²

Dobson Point - 3,063m²

Diepkloof Plaza - 20,000

Jabulani Mall - 44,355m²

Maponya Mall - 65,000m²l - 12,345m²

Protea Point - 2,873m²

Pimville Square - 3,651m²

Protea Gardens Mall - 17,400m²

Shoprite Centre - 7,442m²

Signet Terrace - 12,500m²

Trade Route Mall - 42,550m²

Shopping Centre Size (in sqm)

100,000 to 150,000   25,000 to 50,000   5,000 to 12,000

50,000 to 100,000   12,000 to 25,000   0 to 5,000

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Table 6.2: Retail Centre Supply within 10km from Jabulani Mall

Centre	Location	Size (m²GLA)	Classification	Developed	Shops	Anchors
Maponya Mall	Soweto	65 000	Regional centre	2006	190	Woolworths, Pick n Pay, Foschini, Ackermans, Clicks, Jet
Jabulani Mall	Soweto	44 355	Minor regional centre	2006	104	Shoprite, Edgars, Woolworths, Game,
Dobsonville Shopping Centre	Roodepoort	23 124	Community centre	1994	80	Shoprite, Edgars, Pep, Truworths, Foschini, Lewis, Ellerines
Diepkloof Plaza	Soweto	20 000	Community centre	2007		Shoprite, Jetmart
Protea Gardens Mall	Soweto	17 400	Community centre	2005	106	Shoprite, Cashbuild, Jetmart
Signet Terrace	Jhb	12 500	Community centre	2004	63	Shoprite
Bara Mall	Soweto	12 345	Community centre	2007	50	Shoprite, Pep
Lenasia Square	Jhb	8 441	Neighbourhood centre	1988	46	Pick n Pay
Shoprite Centre - Eldorado Park	Jhb	7 442	Neighbourhood centre	1992	30	Shoprite
Meadow Point	Soweto	4 604	Local convenience centre		34	Score Supermarket, Pep Stores, Clicks, Ellerines
Pimville Square	Soweto	3 651	Local convenience centre	1989	29	Shoprite
Dobson Point	Roodepoort	3 063	Local convenience centre	1996	31	Score Supermarket
Protea Point	Soweto	2 873	Local convenience centre	1987	27	SA Post Office, Score Supermarket
Total		**224 798**				

Source: Demacon Ex. SACSC, 2010

✓ There are 12 other retail centres within a 10km radius of Jabulani Mall, and ten other centres just beyond the border of the trade radius.
✓ Jabulani Mall constitutes the second largest retail centre within the 10km radius.
✓ Seven of the centres are located in Soweto, two in Roodepoort and three in Johannesburg.
✓ Supply constitutes one regional centre, five community centres, two neighbourhood centres and four local convenience centres.
✓ The sizes of these centres vary between 2 873m² retail GLA and 65 000m² retail GLA.
✓ The centres (excluding Jabulani Mall) constitute a total of 180 443m² of retail GLA.
✓ Five of these centres were developed post 2000 – reflecting positive growth in retail centre investment within the locality over the past few years.
✓ Anchor tenants in these centres in general include Shoprite, Score Supermarket, Pep, Clicks, Ellerines, Pick 'n Pay, Cashbuild, Jetmart, Edgars, Woolworths, Foschini, Truworths and Game.

Overall, Jabulani Mall is located in a market area characterised by high levels of supply, however, Maponya Mall represents the only effective competitive supply within the market area.

6.3   CONSUMER MARKET PROFILE

In order to understand the primary consumer market profile of Jabulani Mall, a 10km trade area was delineated – Refer to Map 6.2.

Map 6.2: Jabulani Mall Primary Trade Area Delineation, 10km Radius
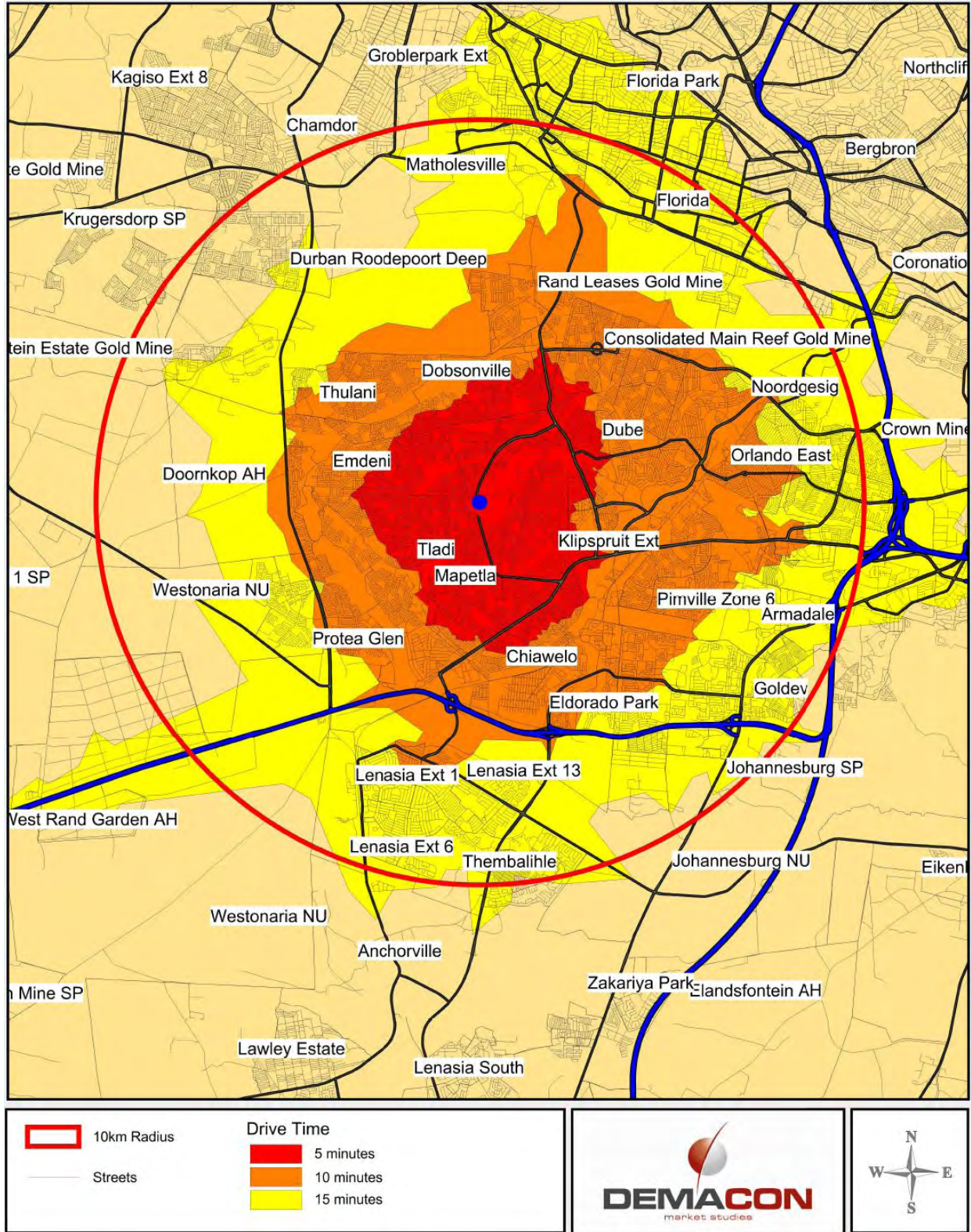
Subsequent paragraphs highlight the dominant characteristics of the primary trade area population, in terms of:

- ✓ Population size
- ✓ Racial profile
- ✓ Age profile
- ✓ Level of education
- ✓ Employment status
- ✓ Occupation profile and manner of employment
- ✓ Average annual household income
- ✓ Mode of transport, and
- ✓ Dwelling type.

Table 6.3: Consumer Market Profile, 2010 Estimates

Variable	Primary Source Market Characteristics
Number of people	✓ 1.3 million
Number of households	✓ 355 937
Household Size	✓ 3.6
Household density	✓ 2 192.7 households/km^2
Racial distribution	✓ African blacks – 88.4% ✓ Coloureds – 6.2% ✓ Asian – 5.1% ✓ White – 0.3%
Age profile	✓ 0-14: 25.1% ✓ 15-19: 9.2% ✓ 21-35: 32.2% ✓ 36-65: 29.4% ✓ 65+: 4.1%
Educational attendance (aged 5 to 24 years)	✓ School: 58.9% ✓ None: 32.7% ✓ Pre-school: 3.4% ✓ College: 2.2% ✓ Other: 2.8%
Highest level of education (aged 20 and older)	✓ Higher: 6.1% ✓ Grade 12: 27.5% ✓ Some secondary: 40.5% ✓ Some primary and primary: 17.8% ✓ None: 8.2%
Level of employment	✓ EAP: 69.7% ✓ Employed: 48.9% ✓ Unemployed: 51.1%
Manner of employment	✓ Paid employees: 89.9% ✓ Self-employed: 8.5% ✓ Family worker: 0.9% ✓ Employer: 0.7%
Occupation profile	✓ Elementary occupations: 21.5% ✓ Clerks: 17.7% ✓ Craft and related trade: 15.1% ✓ Service workers: 14.8% ✓ Plant and machine operators and assemblers: 10.7% ✓ Technicians and associate professionals: 10.0% ✓ Professionals: 5.4% ✓ Legislators, senior officials and managers: 4.6%
Weighted average household income[63]	Total market earning an income: ✓ R72 114.5/annum ✓ R6 009.5/month LSM 4 to 10+:

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[63] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Variable	Primary Source Market Characteristics
	✓ R92 573.1/annum ✓ R7 714.4/month
LSM profile	✓ LSM 1-3: 41.4% ✓ LSM 4-10+: 58.6%
Mode of transport	✓ On foot: 40.1% ✓ Mini-bus: 31.4% ✓ Private vehicle: 14.6% ✓ Train: 8.2% ✓ Bus: 4.3%
Dwelling type	✓ House on separate stand: 57.9% ✓ Informal dwelling on separate stands: 12.0% ✓ Informal dwelling in backyard: 11.5% ✓ House/flat/room in backyard: 10.8%

Source: Demacon Ex. Quantec, 2010

Subsequent figures highlight some of the salient features of the consumer market.

Figure 6.1: Age Profile of Consumer Market
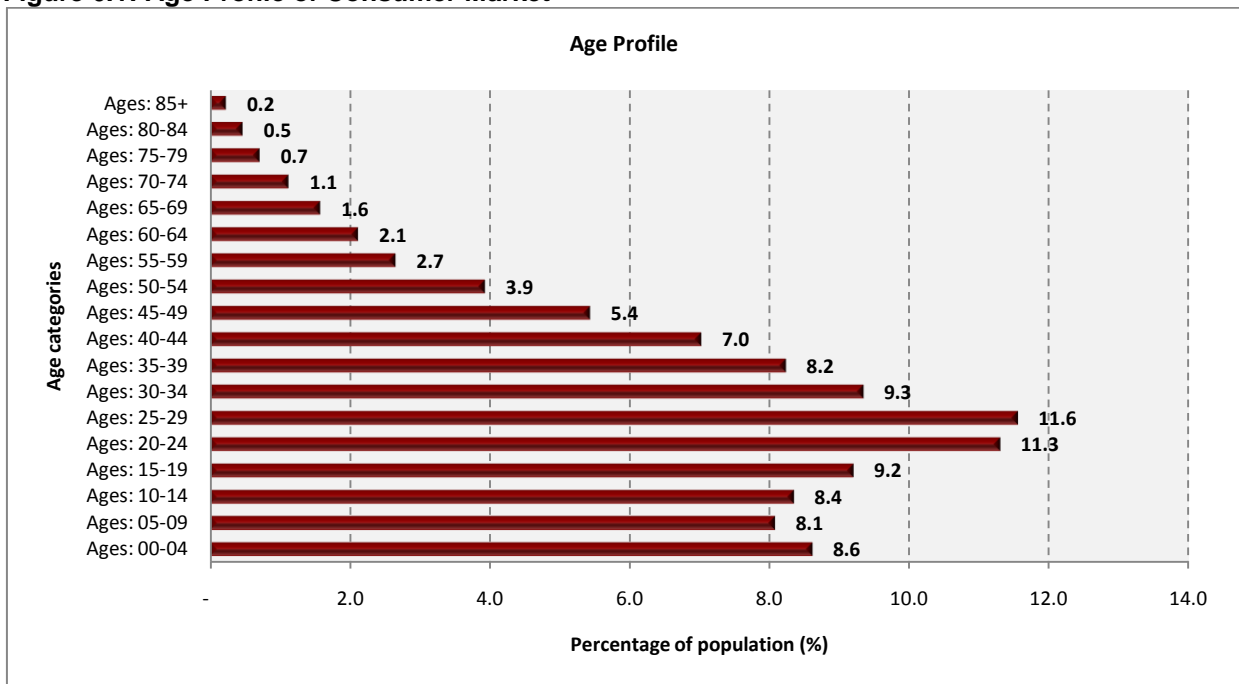
Source: Demacon Ex. Quantec, 2010

Figure 6.2: Employment Status
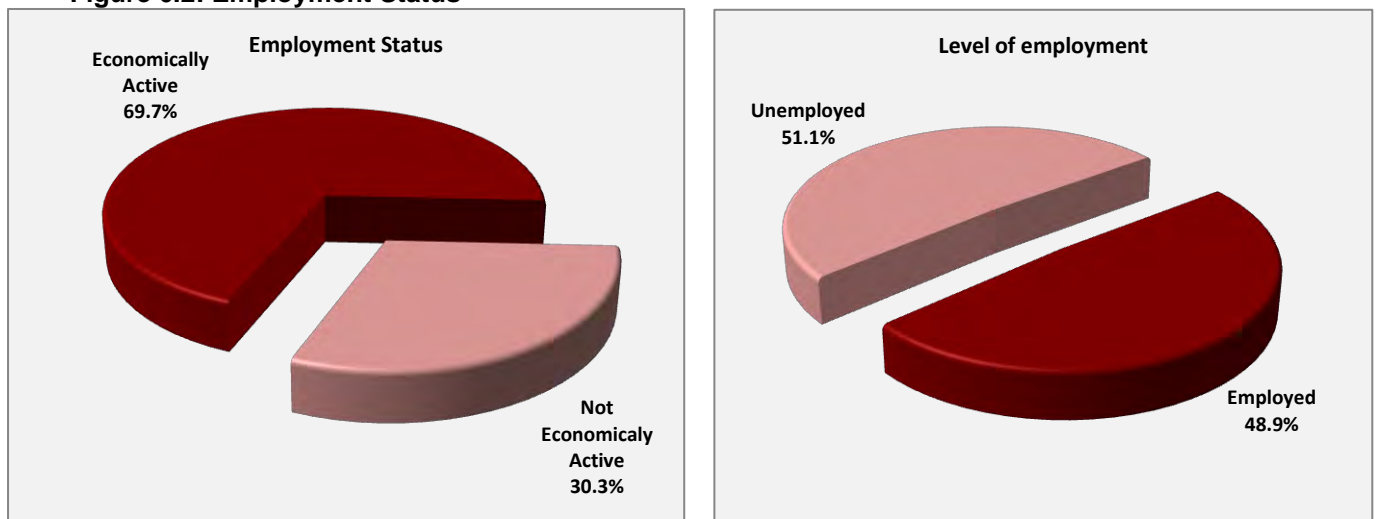
Source: Demacon Ex. Quantec, 2010

Table 6.4: Living Standard Measurement Indicator, 2010

Income category (R/month)	LSM Status	Market Area
Super A income	LSM 10+	1.8
A Income	LSM 10	0.7
B Income	LSM 9	4.0
C Income high	LSM 8	1.7
C Income low	LSM 7	9.5
D Income	LSM 6	14.0
D Lower top	LSM 4 to 5	26.9
D Lower end	LSM 1 to 3	41.4

Source: Demacon Ex. Quantec, 2010

Essentially, the LSM system is a wealth measure based on standard of living, rather than income alone. The market segmentation continuum is divided into ten LSM segments, where LSM 1 signifies the lowest living standard and LSM 10+ signifies the highest living standard.

Figure 6.3: Average Annual Household Income, 2010
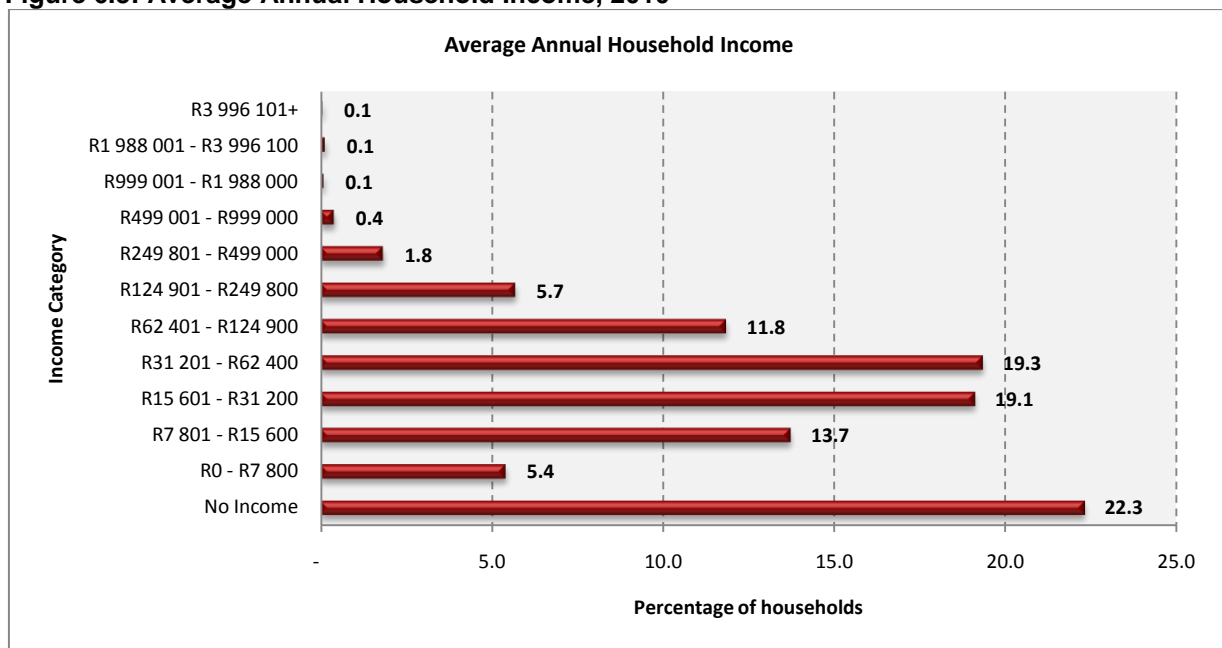
Source: Demacon Ex. Quantec, 2010

Overall, the primary consumer market profile reveals the following pertinent characteristics:

- ✓ At least **355 937** households (2010);
- ✓ Largely an African black consumer market;
- ✓ Relatively large young and upcoming market segment, supported by more mature adult segment and large youth component;
- ✓ Less sophisticated consumer market characterised by relatively low levels of education;
- ✓ Relatively large economically active market segment, characterised by low levels of employment – reflecting high dependency ratios;
- ✓ Occupation profile reflects a dominance of blue collar occupations – serving as proxy for lower to middle income consumer market characterised by pockets of wealth and poverty;
- ✓ Weighted average monthly household income of target market (LSM 4 to 10+) approximately **R7 714.4** (2010);
- ✓ Moderate living standard levels – **LSM 1 to 3 (41.4%); LSM 4 to 10+ (58.6%);**
- ✓ A number of factors contribute to the general property development climate in a specific geographical area. The socio-economic factors that provide an initial indication of market

potential are levels of education, level of employment, income and standards of living. These factors combined reflect a consumer market with a demand largely focused towards the middle to lower end of the upper spectrum of commercial products and services.

In order to reflect on the impact that Jabulani Mall had on the local community proportionally stratified household surveys were conducted within the 10km radius. Subsequent paragraphs highlight the findings of these surveys.

6.4   IMPACT OF THE DEVELOPMENT OF JABULANI MALL

Household surveys were conducted within the 10km trade radius in order to study past and current consumer behaviour using the development of Jabulani Mall as reference point. They also show current levels of satisfaction, perceived demands pertaining to future extensions and preferences pertaining thereto. Overall, these findings reveal the overall impact that the centre had on the local community and their consumer behaviour.

The findings of these surveys are addressed under the following main headings:

✓ Household information;
✓ Past consumer behaviour;
✓ Current consumer behaviour;
✓ Frequency of visits and dwell time;
✓ Level of satisfaction;
✓ Need to expand Jabulani Mall;
✓ Overall impact of the development of Jabulani Mall;
✓ Living standard and average annual income.

6.4.1   HOUSEHOLD INFORMATION

In terms of household information the following were addressed: number of households on premises, average household size, current life stage, age profile of household members, family member mainly responsible for conducting retail purchases, mode of transport, number of breadwinners and suburb of employment.

Figure 6.4: Number of Households on Premises
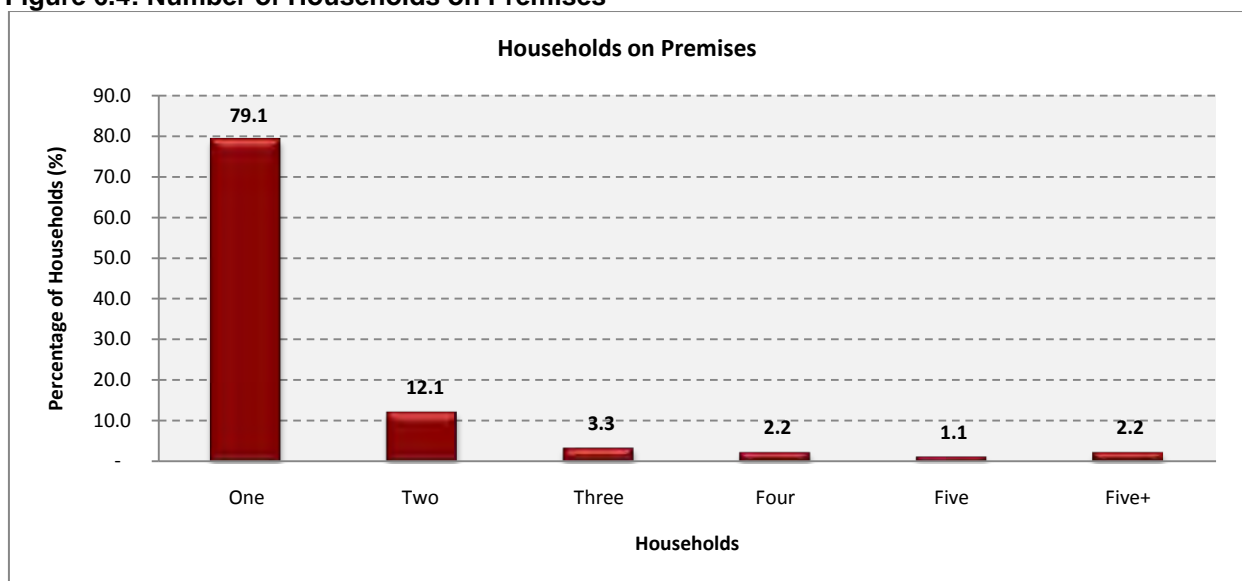
Source: Demacon Household Surveys, 2009

Figure 6.5: Average Household Size
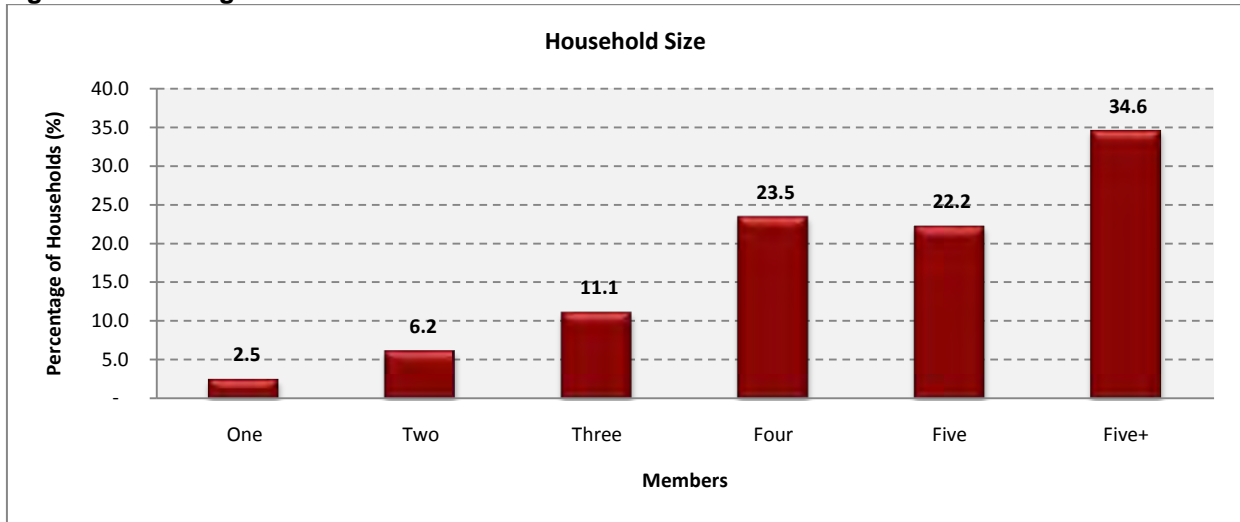
Source: Demacon Household Surveys, 2009

Figure 6.6: Current Life Stage
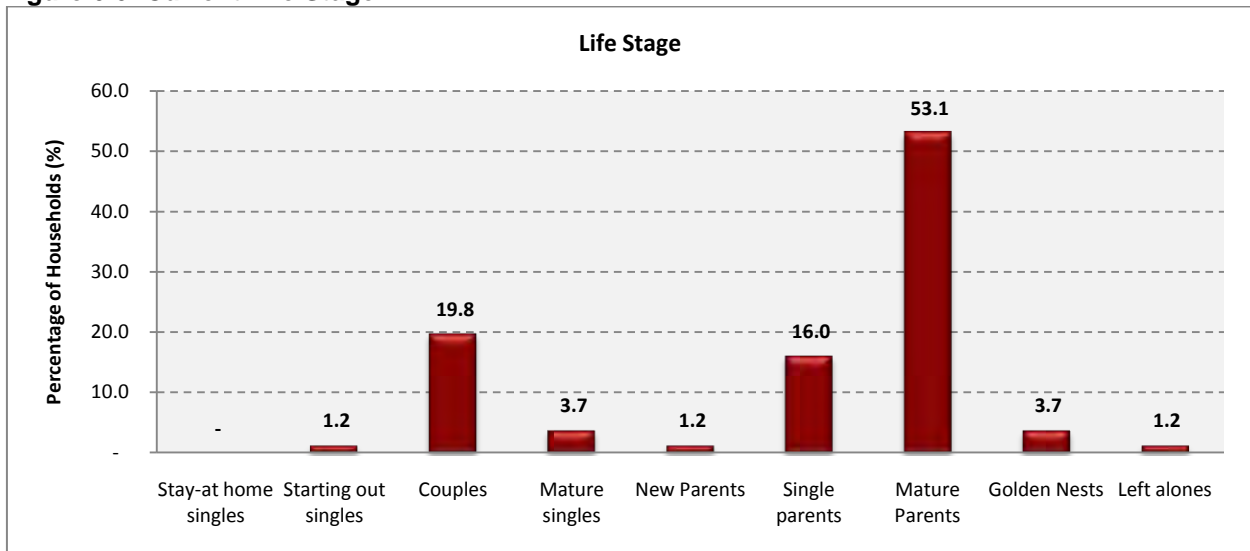
Source: Demacon Household Surveys, 2009

Figure 6.7: Age Profile of Household Members
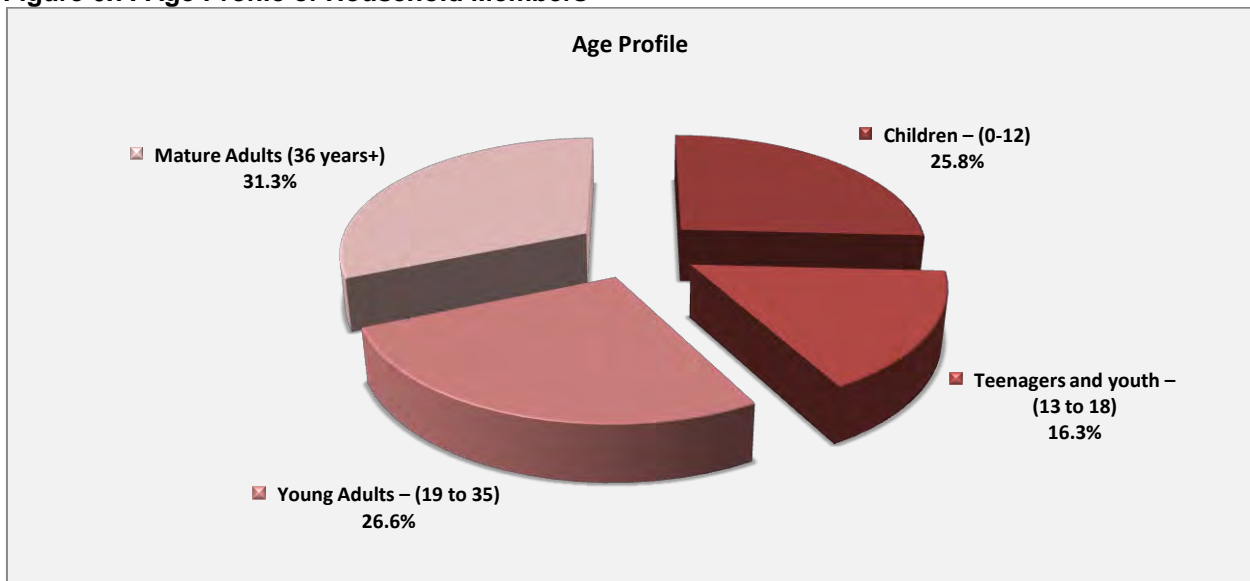
Source: Demacon Household Surveys, 2009

Figure 6.8: Family Member Responsible for Retail Purchases
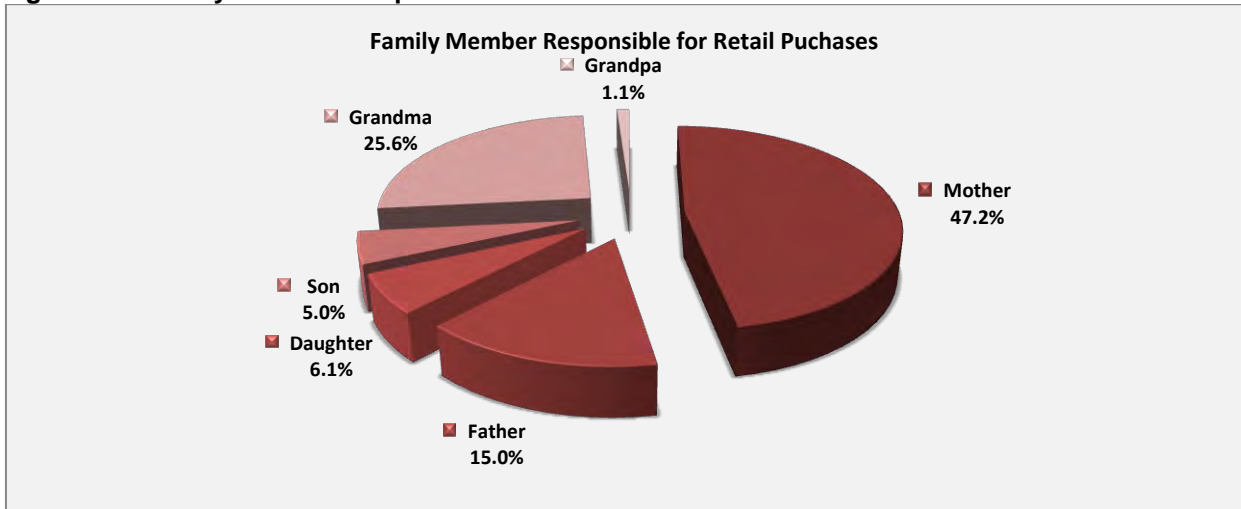
Source: Demacon Household Surveys, 2009

Figure 6.9: Mode of Transport
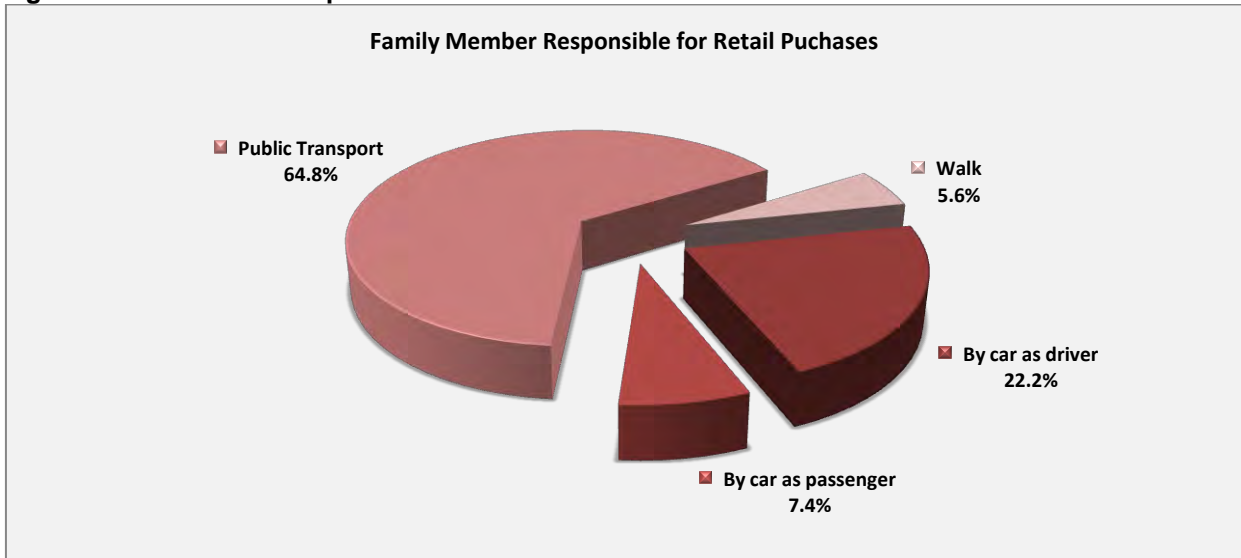
Source: Demacon Household Surveys, 2009

Figure 6.10: Breadwinners per Household
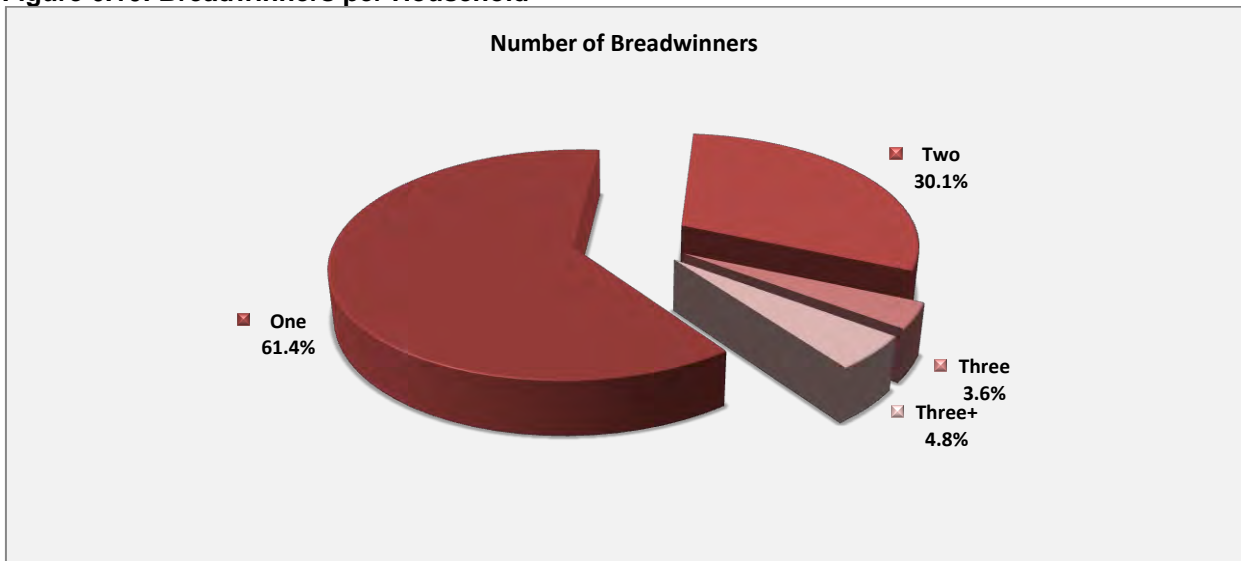
Source: Demacon Household Surveys, 2009

Findings: (Figures 6.4 to 6.10)

✓ Consumer market reflects the following household characteristics:
✓ In most cases there is one household on the premises (79.1%), with a small segment of respondents having two households on the premises (12.1%);
✓ Households mainly consist of more than five members (34.6%), followed by a large segment of between four and five members (45.7%);
✓ The dominant life stages include mature parents (53.1%), couples (19.8%) and single parents (16.0%);
✓ The age profile of household members reflects a dominant adult population (31.3%), supported by a moderate segment of young adults (26.6%), children (25.8%) and teenagers (16.3%);
✓ The mothers (47.2%), followed by the grandmothers (25.6%) and fathers (15.0%) are largely responsible for retail purchases;
✓ They reach their retail destinations mostly by means of public transport (64.8%), private vehicles (29.6%) or walking (5.6%);
✓ The majority of households are characterised by a single breadwinner (61.4%), followed by 30.1% of the households having two breadwinners and a small segment being characterised by more than two breadwinners;
✓ These breadwinners are mainly employed in Johannesburg, Soweto, Randburg, Fourways, Kempton Park, Sandton, Benoni, Lenasia and The Glen.

6.4.2 PAST CONSUMER BEHAVIOUR

Subsequent paragraphs address the issue of past consumer behaviour, before Jabulani Mall was developed. They provide information on where consumers shopped before the mall was developed, what percentage of shopping was conducted outside of the local area, at which centre, the distance to these centres, indication of expenditure at local traders, household expenditure, transport costs and average time to retail destinations and traders.

Figure 6.11: Retail Location Before Jabulani Mall

Before Jabulani Mall - Retail Locations

Jhb CBD 42.0%
Roodepoort 12.7%
Other Areas 12.0%
Soweto 33.3%
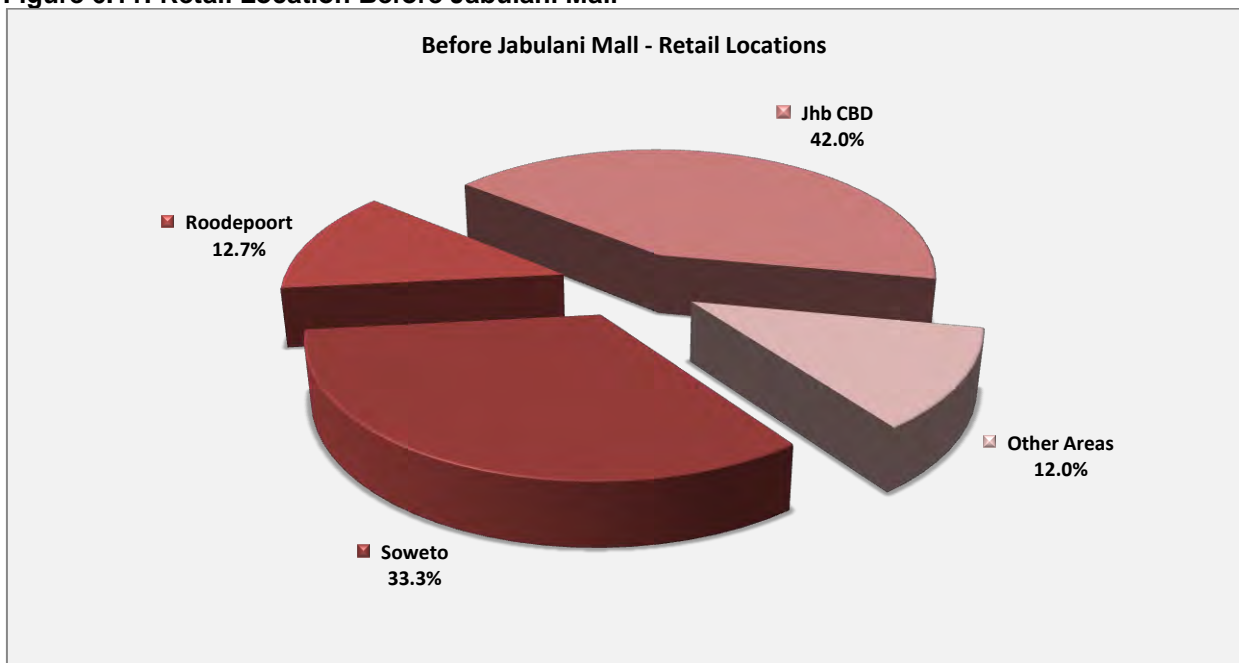
Source: Demacon Household Surveys, 2009

Figure 6.12: Percentage of Shopping Conducted Outside the Local Area before Jabulani Mall
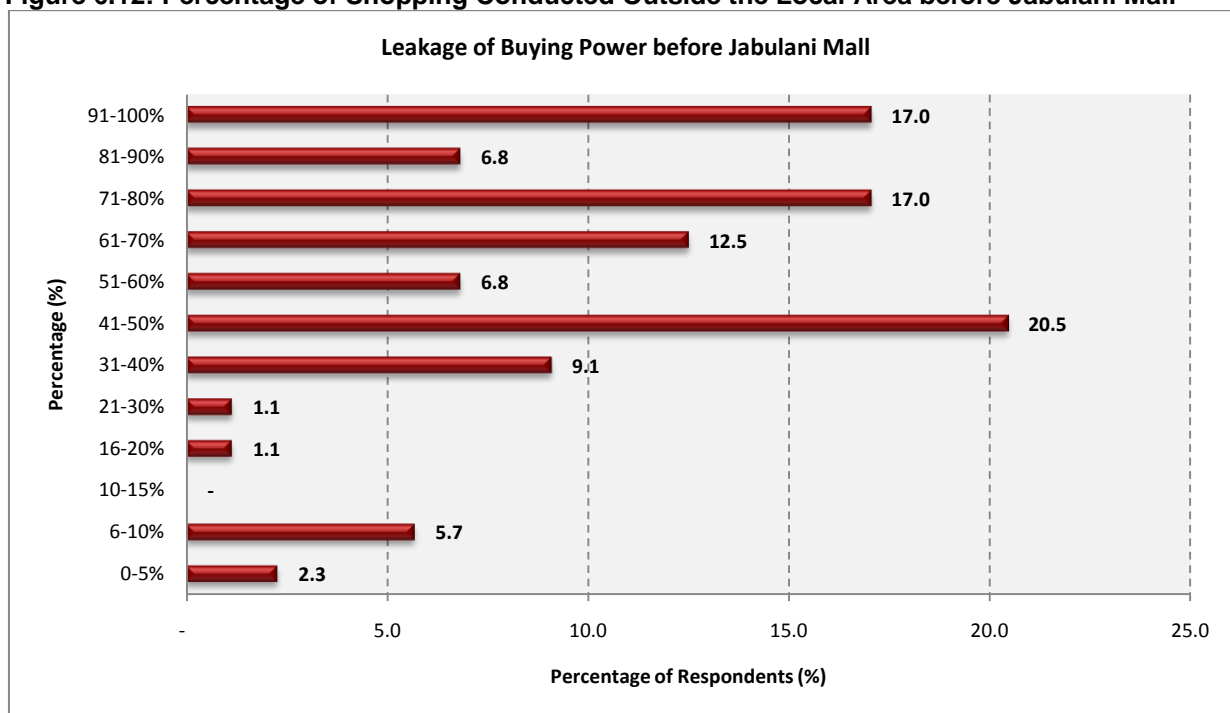
Source: Demacon Household Surveys, 2009

Table 6.5: Preferred Retail Centre before Jabulani Mall

	Centres	Areas
Groceries	Southgate, Westgate, Jhb CBD, Protea Gardens, Carlton Centre	Mondeor, Roodepoort, Johannesburg CBD, Lenasia, Soweto
Top-up groceries	Southgate, Westgate, Johannesburg CBD, Protea Gardens, Carlton Centre	Mondeor, Roodepoort, Jhb CBD, Lenasia, Soweto
Clothing /shoes /accessories	Southgate, Westgate, Jhb CBD, Carlton Centre, Dobsonville Shopping Centre, Protea Gardens	Mondeor, Roodepoort, Johannesburg, Jhb CBD
Furniture and home ware	Southgate, Jhb CBD, Westgate, Carlton Centre, Dobsonville Shopping Centre	Mondeor, Johannesburg, Jhb CBD, Roodepoort, Lenasia
Hardware goods	Southgate, Westgate, Jhb CBD, Carlton Centre, Kliptown	Mondeor, Roodepoort, Jhb CBD, Soweto
Gifts, books and confectionary	Southgate, Westgate, Johannesburg CBD, Carlton Centre, Kliptown	Mondeor, Roodepoort, Jhb CBD, Soweto
Specialty / value goods	Southgate, Westgate, Jhb CBD, Carlton Centre	Mondeor, Roodepoort, Jhb CBD
Entertainment	Southgate, Westgate, Jhb CBD, Carlton Centre, Protea Gardens	Mondeor, Roodepoort, Jhb CBD, Soweto
Restaurants	Southgate, Jhb CBD, Westgate, Carlton Centre, Protea Gardens	Mondeor, Jhb CBD, Roodepoort, Soweto
Personal care	Southgate, Westgate, Jhb CBD, Carlton Centre, Kliptown	Mondeor, Roodepoort, Jhb CBD, Soweto
Services & other	Southgate, Westgate, Carlton Centre, Jhb CBD, Protea Gardens	Mondeor, Roodepoort, Jhb CBD, Soweto

Source: Demacon Household Surveys, 2009

Findings: (Figures 6.11 to 6.12 and Table 6.5)

✓ Before Jabulani Mall, the majority of respondents conducted their shopping within Johannesburg CBD (42.0%), followed by Soweto (33.3%), Roodepoort (12.7%) and other areas (12.0%) – including Mondeor, Lenasia, Oakdene and Baragwana.

✓ Before Jabulani Mall was developed approximately 60.5% (weighted average[64]) of shopping was conducted outside of the local area.

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[64] Note: Weighted Average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

![DEMACON market studies]

✓ In terms of the preferred retail centres the following dominant centres featured: Southgate, Westgate, Johannesburg CBD, Protea Gardens, Carlton Centre, Dobsonville Shopping Centre, Kliptown.

✓ The dominant retail areas include Mondeor, Roodepoort, Johannesburg CBD, Lenasia and Soweto.

Figure 6.13: Average Distance to Preferred Centre
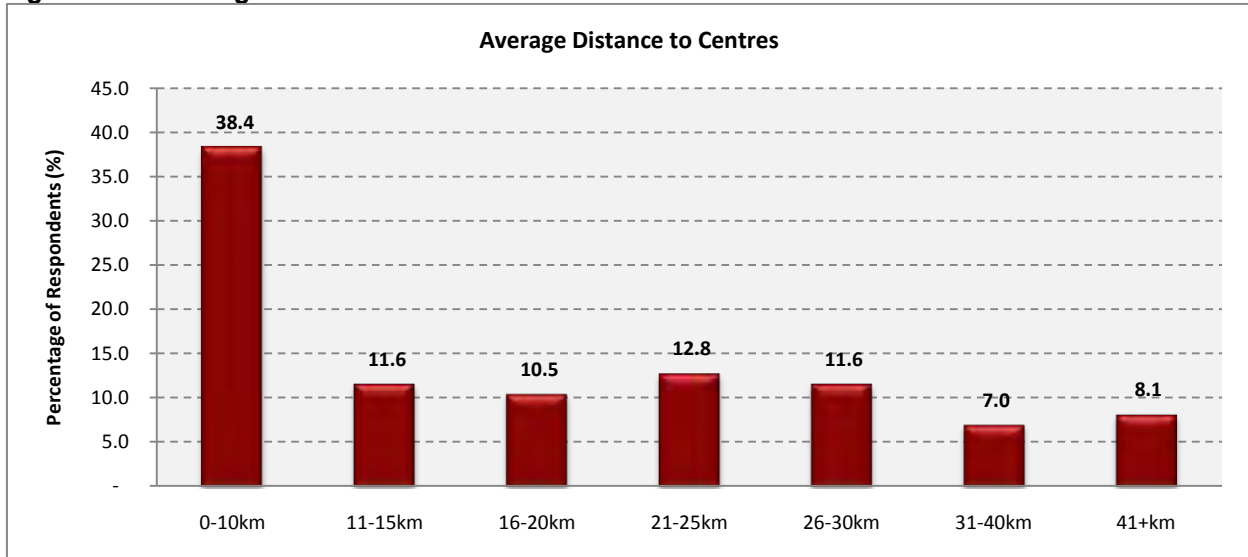
Source: Demacon Household Surveys, 2009

Figure 6.14: Percentage of Shopping Conducted at Local Traders before Jabulani Mall
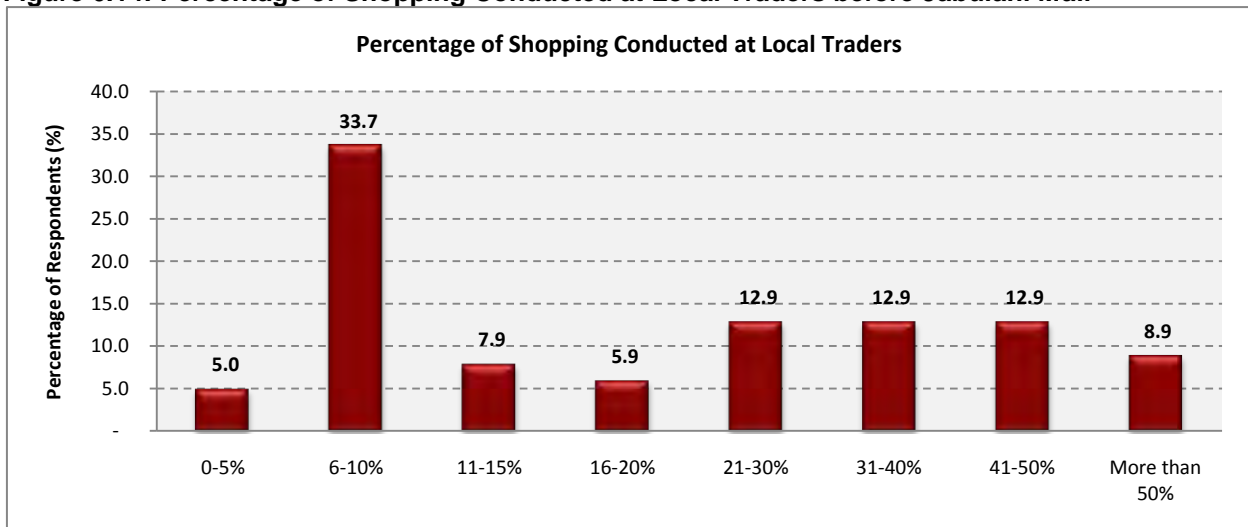
Source: Demacon Household Surveys, 2009

Findings: (Figures 6.13 to 6.15)

✓ Before the development of Jabulani Mall the average distance to supported retail centres was largely less than 10km (38.4%), followed by a slightly smaller segment indicating distances between 11km and 20km (22.1%) and between 20km and 30km (24.4%) and more than 30km (15.1%). The average weighted distance amounted to **17.7km.**

✓ A large segment of respondents (33.7%) conducted between 6% and 10% of their shopping at local traders, with a relatively large segment (38.7%) indicating that they conduct between 21% and 50% of their shopping at local traders. The average weighted percentage conducted at local traders amounted to **25.3%.**

✓ The majority of households (66.7%) spent between R500 and R1 500 a month at formal retail centres, 22.3% of households spent more than R1 500 a month and 11.2% of households spent less than R500 a month. Average monthly household expenditure at formal retail centres amounted to **R1 260.00.**

✓ The majority of households (61.1%) spent between R100 and R200 a month at local traders, 16.7% spent up to R300 and 16.7% spent less than R100 a month at local traders. The average monthly household expenditure at local traders amounted to **R167.17.**

Figure 6.15: Monthly Household Expenditure at Retail Centres and Local Traders

Average Monthly Retail Expenditure - Centres vs Traders

Category	Value
R5001+	-
R4001-R5000	-
R3001-R4000	1.0
R2001-R3000	7.1
R1801-R2000	9.1
R1501-R1800	5.1
R1201-R1500	15.2
R1001-R1200	22.2
R751-R1000	17.2
R501-R750	12.1
R401-R500	5.1
R301-R400	5.6 / 5.1
R201-R300	16.7 / 1.0
R151-R200	33.3
R101-R150	27.8
R51-R100	16.7
R0-R50	-

Percentage of Respondents (%)

☐ Local Traders ■ Formal Centres
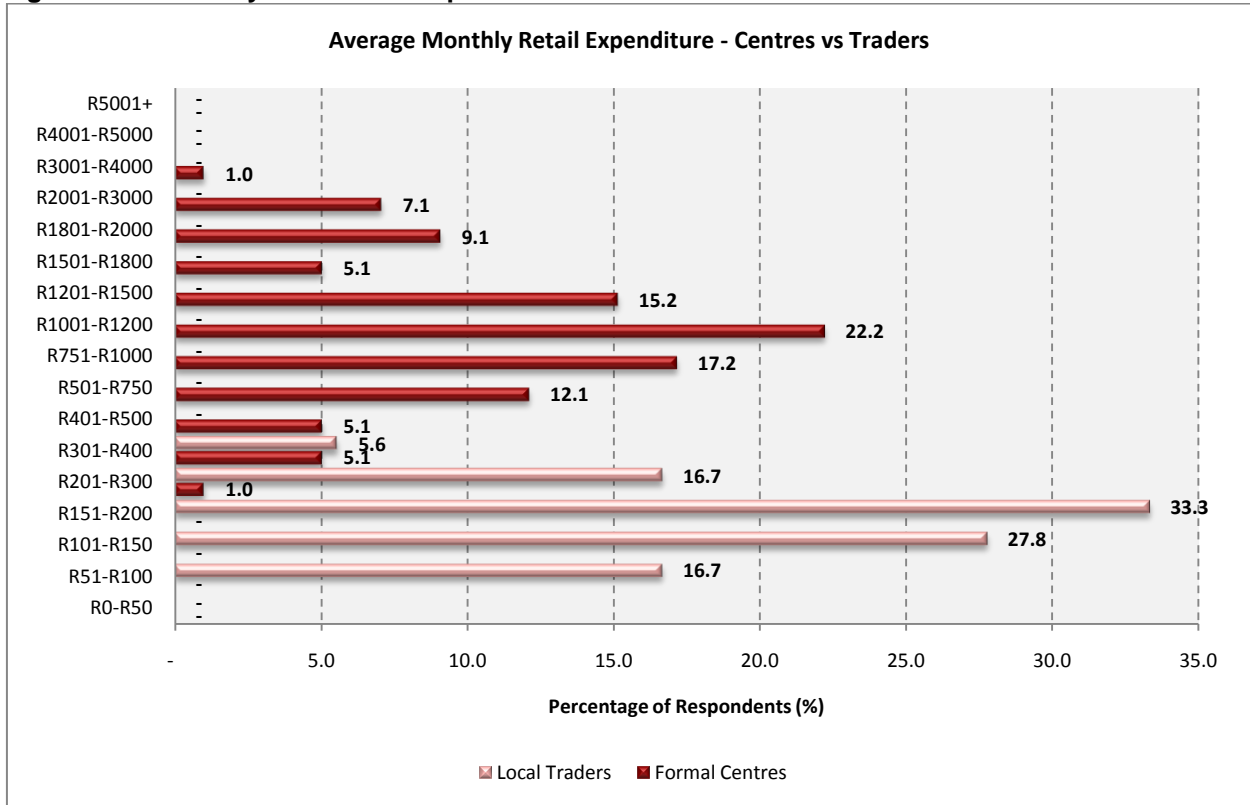
Source: Demacon Household Surveys, 2009

Figure 6.16: Average Bus/Taxi Fare

Average Transport Cost - Taxi/Bus Fare (both ways)

Range	Formal Centre	Local Traders
R0 to R10	34.1	34.8
R11 to R15	29.5	32.6
R16 to R20	12.5	21.7
R21 to R30	14.8	10.9
R31 to R40	4.5	-
R41 to R50	3.4	-
R51+	1.1	-

Percentage of Respondents (%)

■ Formal Centre ☐ Local Traders
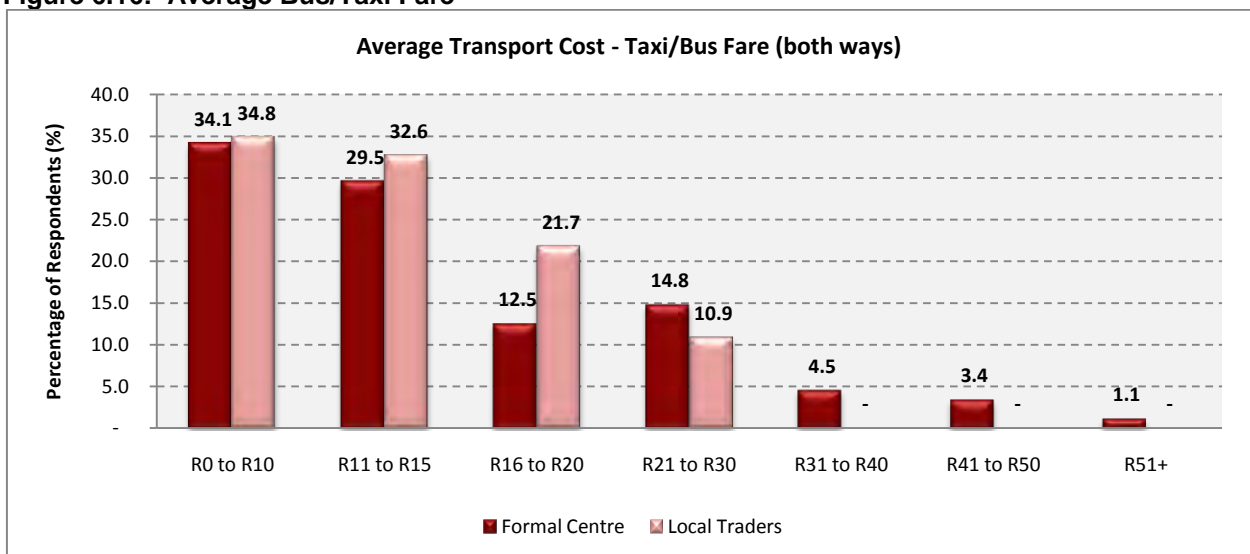
Source: Demacon Household Surveys, 2009

Figure 6.17: Average Travel Time

Average Travel Time

Percentage of Respondents (%)

	0 to 5min	6 to 10min	11 to 15min	16 to 20min	21 to 30min	31 to 40min	41 to 50min	51 to 60min
Formal Centres	1.4	9.6	12.3	24.7	26.0	6.8	12.3	6.8
Local Traders	26.2	16.9	13.8	12.3	16.9	4.6	7.7	1.5

■ Formal Centres   ■ Local Traders
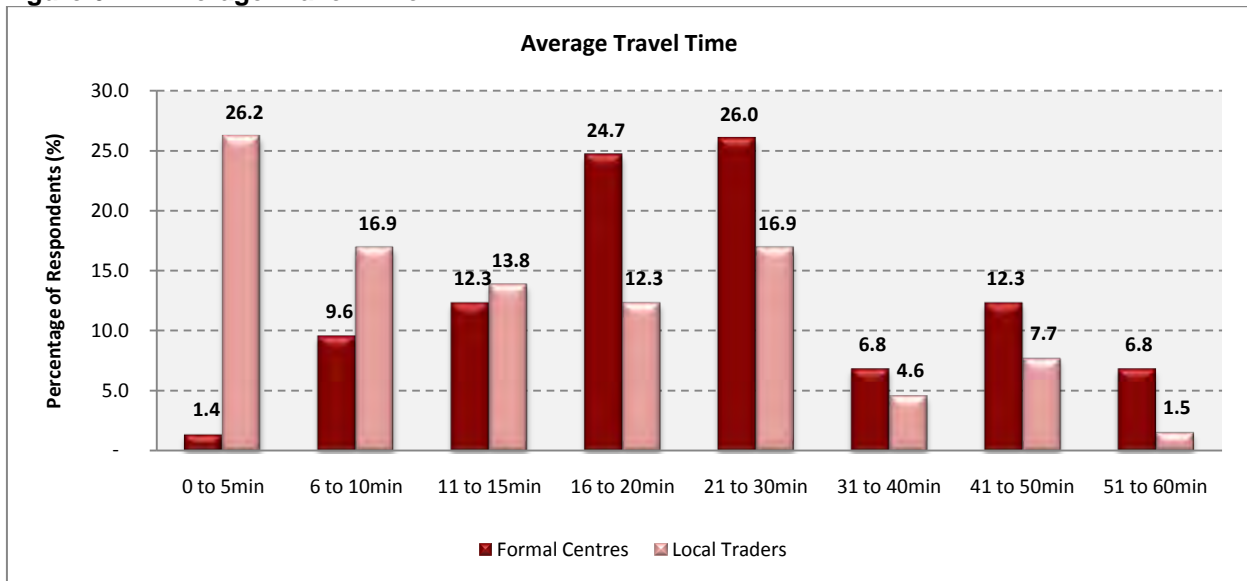
Source: Demacon Household Surveys, 2009

Findings: (Figures 6.16 to 6.17)

✓ The majority of households indicated that they spent up to R15 for taxi/bus fares to the formal retail centres – 63.6%. This is followed by a smaller segment indicating transport fares of between R16 and R30 – 17.3%. A small segment indicated transport fares exceeding R30 – 9.0%. The average weighted transport fare to formal retail centres amounted to **R15.60.**

✓ Similar trends were observed with reference to travel fares to local traders. The average weighted transport fare to local traders amounted to **R12.70.**

✓ In terms of the average travel time, the majority of respondents indicated a travel time of between 16 and 30 minutes to formal retail centres – 50.7%, a medium sized segment indicated lower travel times (23.3%) and another segment indicated longer travel times, exceeding 30 minutes (25.9%). The weighted average[65] travel time to formal retail centres amounted to **25.3 minutes**.

✓ The majority of respondents indicated that they travel for fewer than 10 minutes to local traders (43.1%), this is followed by 43.0% of respondents indicating travel times between 11 and 30 minutes to local traders. The weighted average travel time to local traders amounted to **16.3 minutes**.

6.4.3 CURRENT CONSUMER BEHAVIOUR

Subsequent paragraphs examine current consumer behaviour trends after the development of Jabulani Mall. They focus on the impact that the development of the mall had on their consumer behaviour, retail destination, percentage of shopping now conducted outside the local area, impact on retail expenditure, monthly retail expenditure, monthly retail expenditure at Jabulani Mall, types of commodities purchased at the mall, an indication of commodities not available at the mall, changes in support for other areas, impact of the development of the mall on support for local traders, average transport cost and travelling time, impact of transport costs on retail trips outside the area.

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[65] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weigh, and then adding the results.

Figure 6.18: Impact of Jabulani Mall on Consumer Behaviour
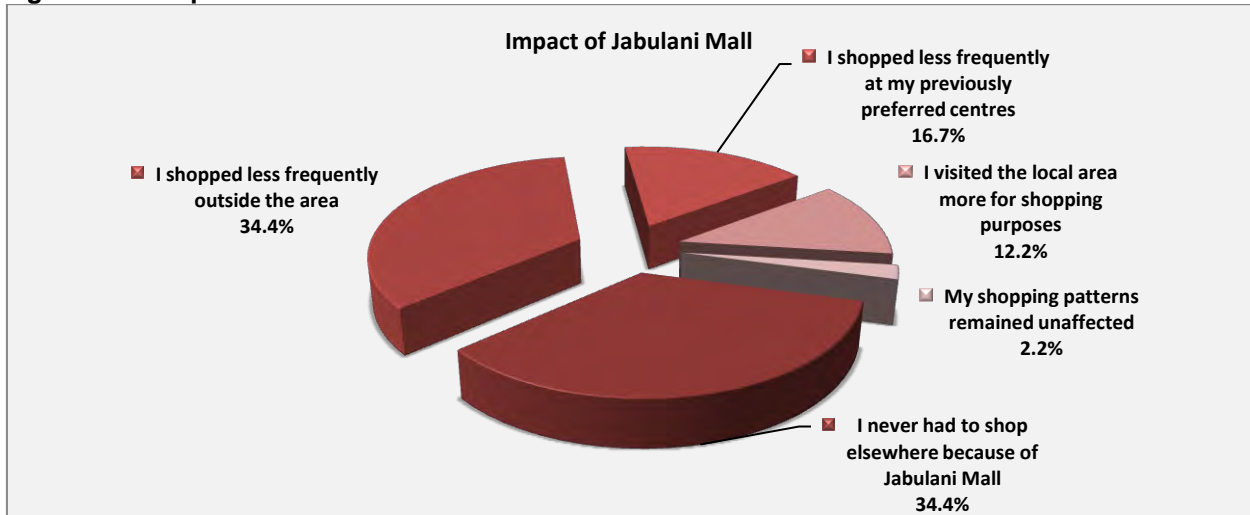
Source: Demacon Household Surveys, 2009

Figure 6.19: Retail Location after Jabulani Mall
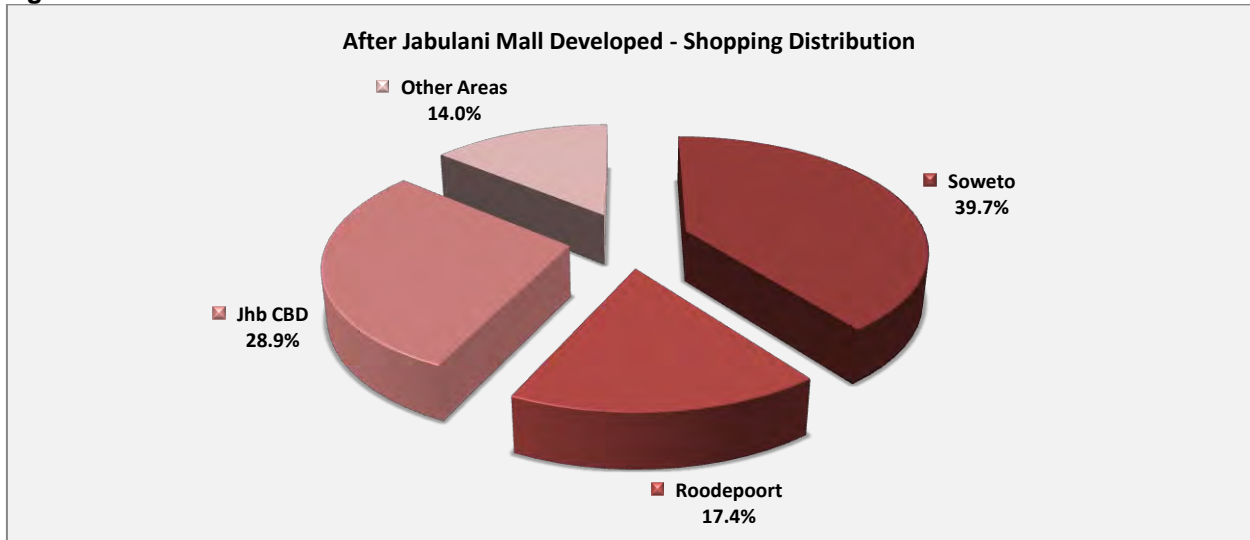
Source: Demacon Household Surveys, 2009

Figure 6.20: After Jabulani Mall – Percentage of Shopping Outside Local Area
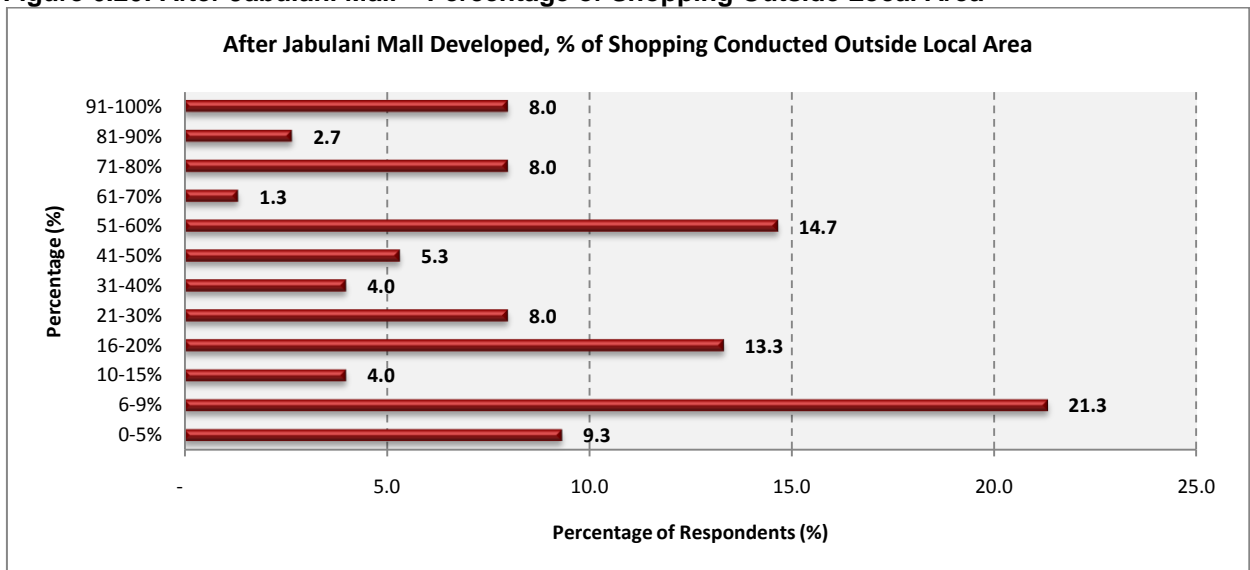
Source: Demacon Household Surveys, 2009

Figure 6.21: Impact of Jabulani Mall on Local Retail Expenditure
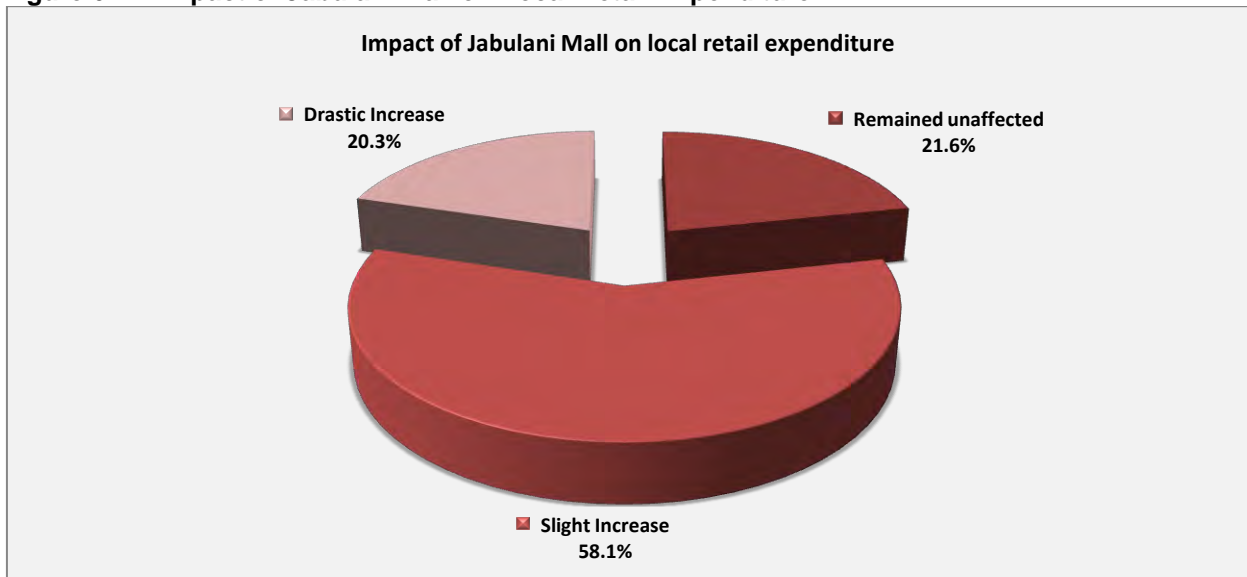
Source: Demacon Household Surveys, 2009

Figure 6.22: Average Monthly Household Retail Expenditure
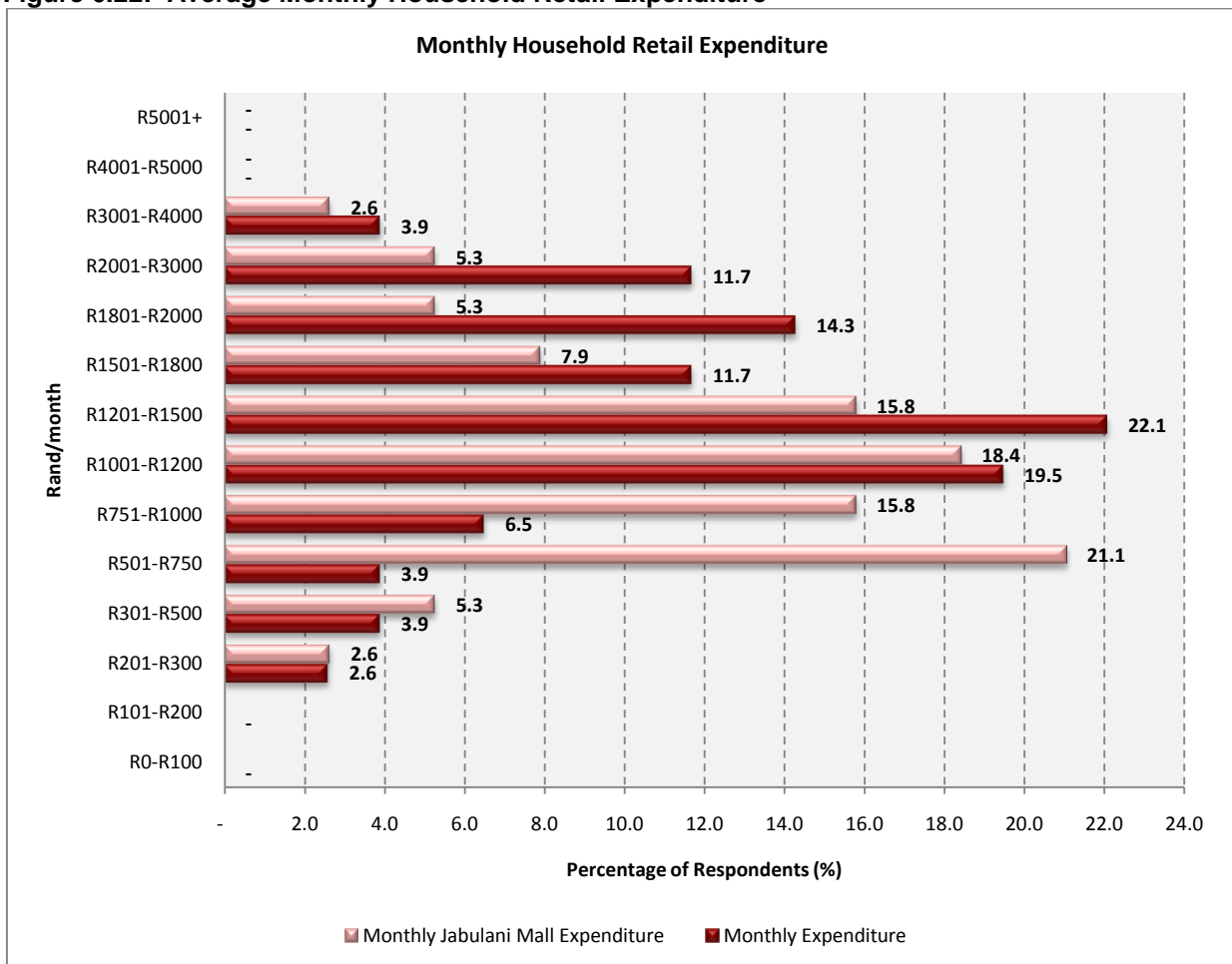
Source: Demacon Household Surveys, 2009

Figure 6.23: Type of Commodities Predominantly Purchased at Jabulani Mall
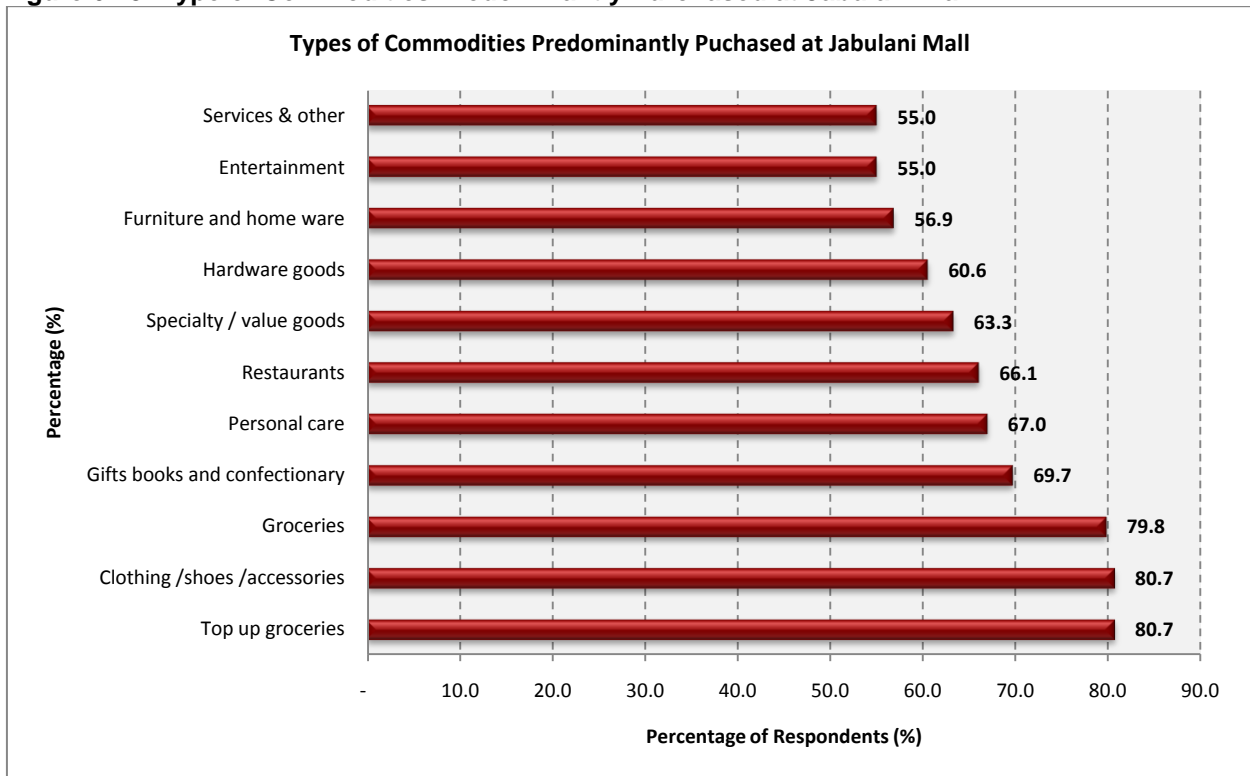
Source: Demacon Household Surveys, 2009

Figure 6.24: Types of Commodities not Available at Jabulani Mall
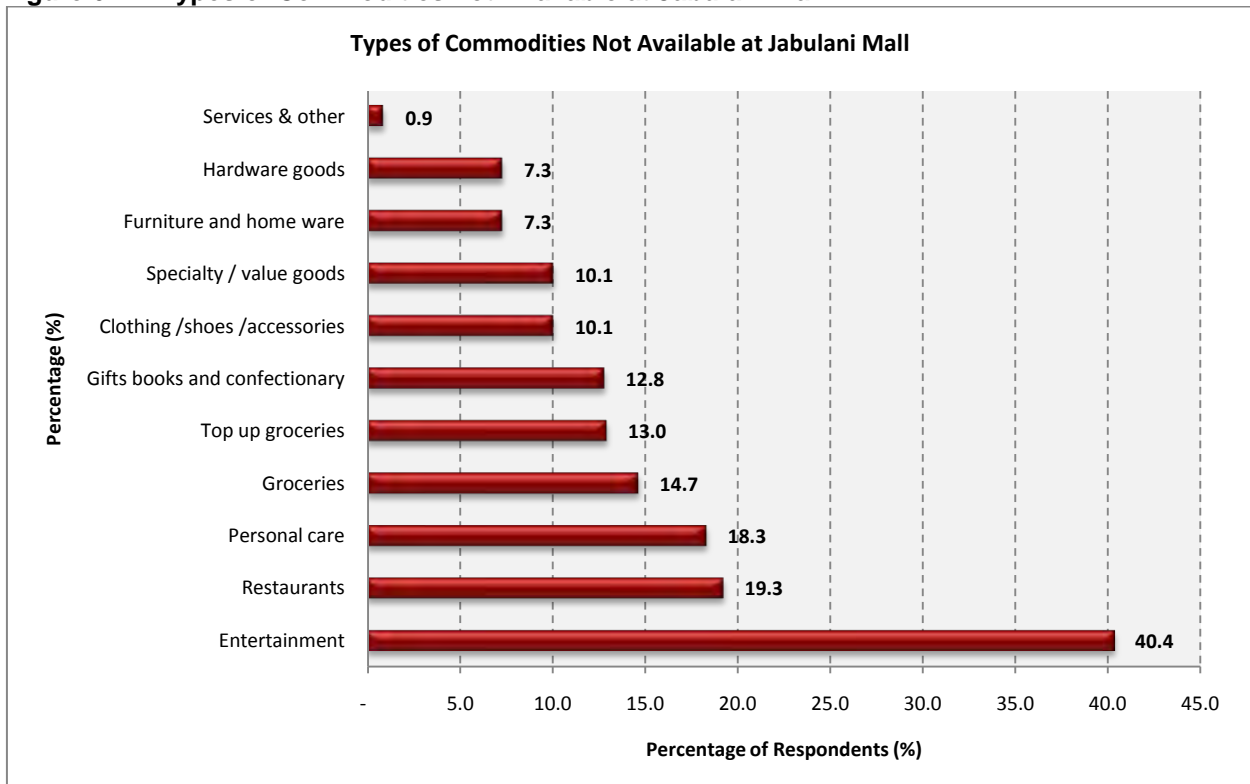
Source: Demacon Household Surveys, 2009

Figure 6.25: Preferred Retail Centres after Jabulani Mall Development

Preferred Retail Centres Supported Most

Retail Centre	Percentage
Sandton City	0.7
Rosebank	0.7
Oriental Plaza	0.7
Highgate	0.7
Eastgate	0.7
Traderoute Mall	1.5
The Glen	2.2
Protea Gardens	5.2
Westgate	8.1
Soutgate	16.3
Jabulani Mall	29.6
Maponya Mall	33.3
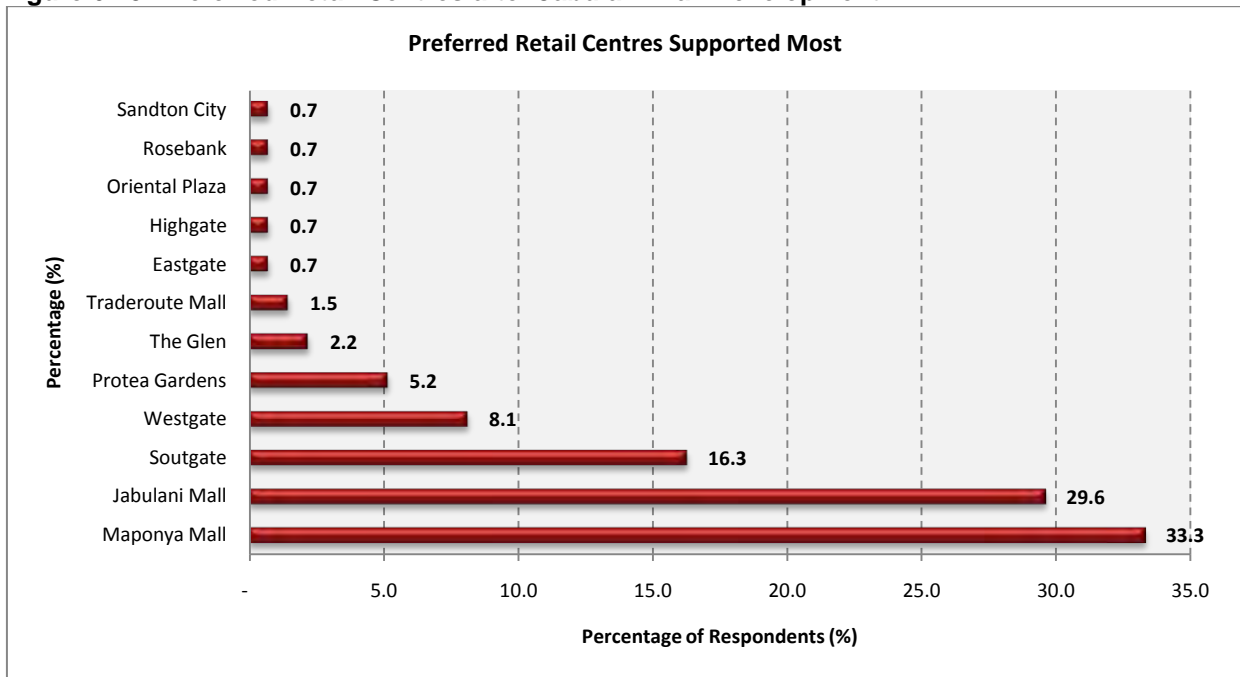
Source: Demacon Household Surveys, 2009

Figure 6.26: Since Development of Jabulani Mall - Support to Previously Preferred Retail Centres

Support towards previously preferred Retail Centres

- No 50.6%
- Yes 49.4%
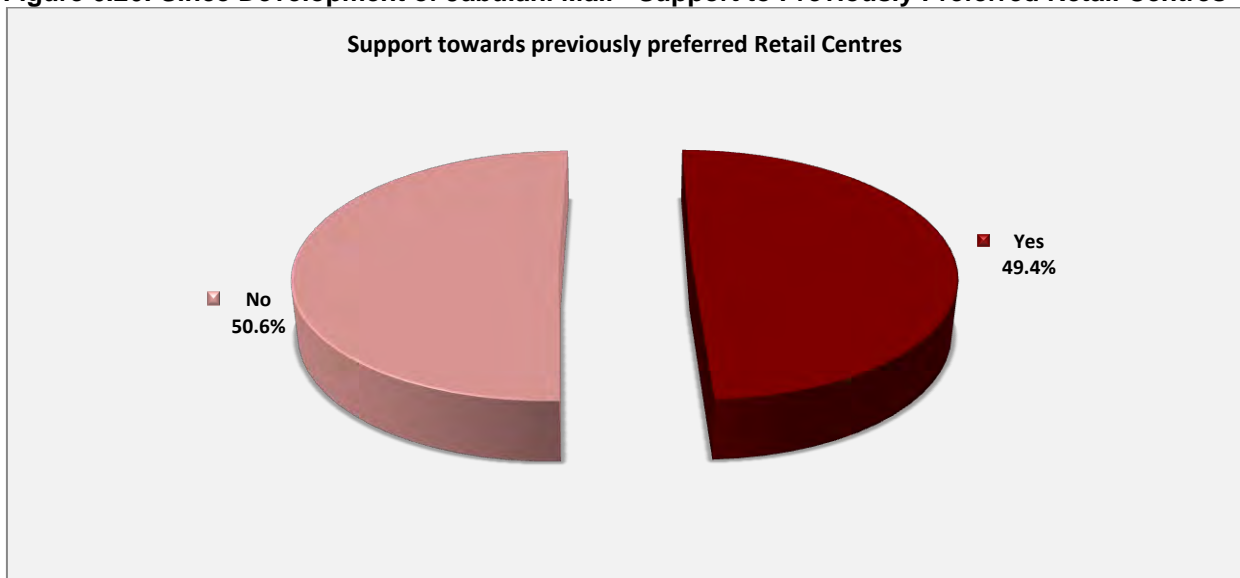
Source: Demacon Household Surveys, 2009

Findings: (Figures 6.18 to 6.30)

✓ The development of Jabulani Mall had a positive impact on consumer behaviour – 34.4% of respondents indicated that they never have to shop elsewhere, 34.4% indicated that they now shop less frequently outside the area, 16.7% indicated that they shop less frequently at their previously preferred centres and 12.2% visit the local area more for shopping purposes. A low 2.2% of respondents indicated that their shopping patterns have remained unaffected. This reflects high levels of consumer elasticity in the market.

✓ The development of Jabulani Mall also had a positive impact on respondents' shopping locations – 39.7% of shopping is now conducted in Soweto, 28.9% in Johannesburg CBD, 17.4% in Roodepoort and 14.0% in other areas such as Mondeor, Lenasia, Rosebank and Sandton.

✓ After the development of Jabulani, the percentage of shopping conducted outside of the local area declined to a weighted average of **35.5%**[66]**.**

✓ The development of Jabulani Mallhad a **slight impact** on local retail expenditure for the majority of respondents **(58.1%)**.

✓ However, a medium sized segment of respondents indicated that it had a drastic impact on their local retail expenditure (20.3%), whereas the remainder of respondents indicated that Jabulani Mall had no impact on their local retail expenditure.

✓ The largest segment of households indicated that they spend between R1 000 and R1 500 on monthly shopping – 48.1%, this is followed by 41.6% indicating amounts between R1 500 and R4 000 a month and just 10.4% reflecting amounts below R1 000. The average weighted amount spent on shopping is **R1 503.09**.

✓ The majority of respondents also indicated that they spend between R500 and R1 500 per month at Jabulani Mall – 71.1%, supported by 21.1% indicating expenditures of R1 500 to R4 000 at Jabulani Mall and only 7.9% indicating amounts below R500 per month. The average weighted monthly amount spent at Jabulani Mall is **R1 163.66.**

✓ In terms of the types of commodities mainly purchased at Jabulani Mall, the following dominant categories prevail: top-up groceries, clothing and shoes, monthly groceries, gifts, books and confectionary, personal care and restaurants.

✓ In terms of the types of commodities not available at Jabulani Mall, the following dominant categories prevail: entertainment and, to a lesser extent, restaurants and personal care.

✓ Respondents also indicated their preferred retail centres after the development of Jabulani Mall – Maponya Mall ranked first (33.3%), followed by Jabulani Mall (29.6%), Southgate (16.3%), Westgate (8.1%), Protea Gardens (5.1%) and to a lesser extent The Glen, Traderoute Mall, Eastgate, Highgate, Oriental Plaza, Rosebank and Sandton City.

✓ Slightly more than half of the respondents indicated that they no longer support their previously preferred retail centres since the development of Jabulani Mall – 50.6%.

✓ The dominant reasons for respondents' continued support for previously preferred retail centres are: proximity to their homes, proximity to places of employment, the centre being a good alternative, the convenience thereof, entertainment purposes, higher levels of security and the fact that it is less crowded. This is supported by a number of lesser important aspects.

✓ Since the development of Jabulani Mall, the majority of respondents now conduct between 6% and 10% of shopping at local traders – 53.6%, 17.6% conduct less than 10% of shopping at local traders and 28.6% conduct more than 10% of shopping at local traders. The weighted average support for local traders amounts to **14.18%.**

✓ Overall, the development of Jabulani Mall has resulted in a decline in support for local traders **(62.6%)**.

✓ In terms of changes to the local trader environment the following were found:
   • The majority indicated that everything remained the same – 76.4%;
   • 16.5% indicated a movement of informal traders to locations closer to the mall;
   • 25.0% indicated a decline in informal traders;
   • 19.3% indicated a movement of local businesses closer to the mall;
   • 38.5% indicated a closure of local businesses;
   • 22.0% indicated a movement of local businesses to the mall.

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[66] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Figure 6.27: Reasons for Support ForTowards These Centres

Reasons for support towards these centres

	Percentage of Respondents (%)
Less Expensive	2.1
Lower Travel Costs	2.3
More Attractive	3.0
Everything is there	3.4
Accessible	4.3
More variety of Fashion Stores	4.6
Lower Travel Time	4.8
More variety	4.8
Less crowded	5.0
Higher levels of security	5.5
Entertainment purposes	5.7
Convenient	6.4
As an alternative	6.9
Proximity to place of employment	11.4
Proximity to home	29.7

Source: Demacon Household Surveys, 2009

Figure 6.28: After Jabulani Mall what Percentage of Shopping is Conducted at Local Traders

After Jabulani Mall - Percentage of Shopping at Local Traders

Percentage (%)	Percentage of Respondents (%)
0-5%	17.9
6-10%	53.6
10-15%	5.4
16-20%	7.1
21-30%	3.6
31-40%	1.8
41-50%	7.1
More than 50%	3.6
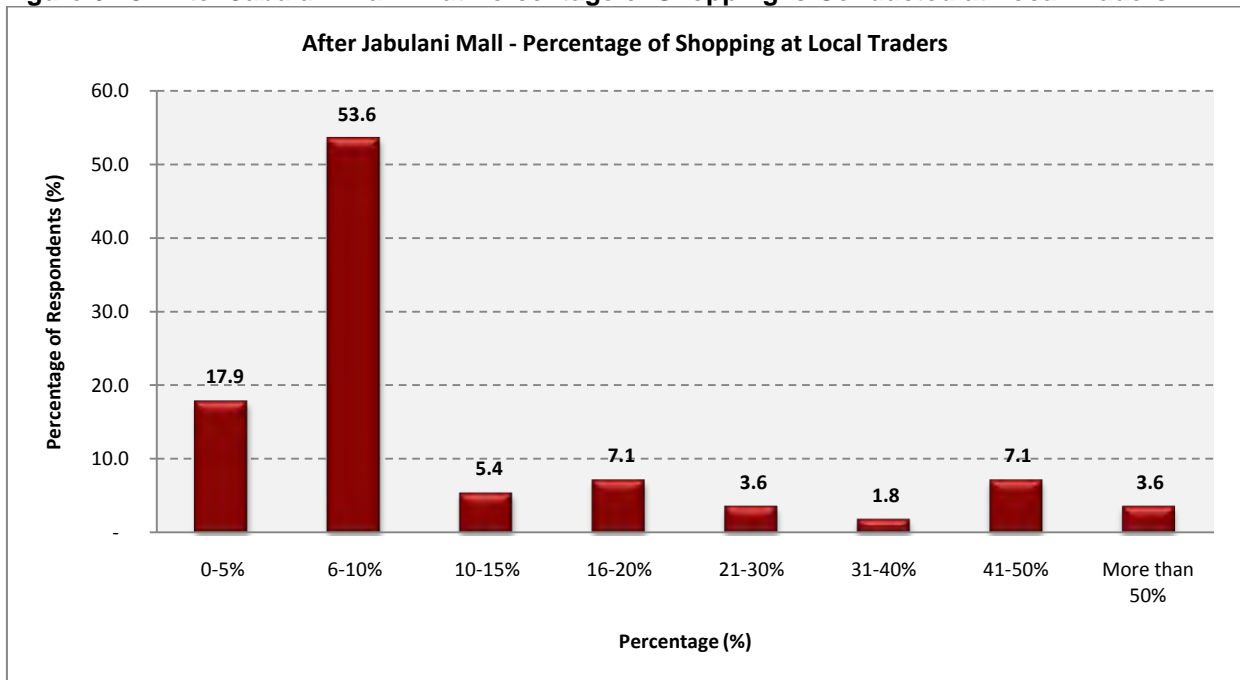
Source: Demacon Household Surveys, 2009

Figure 6.29: Impact of Jabulani Mall on Local Trader Support

Impact of Jabulani Mall on Support towards Local Traders

Increased
14.8%

Large Decline
29.6%

Remained the Same
22.2%

Small Decline
33.3%
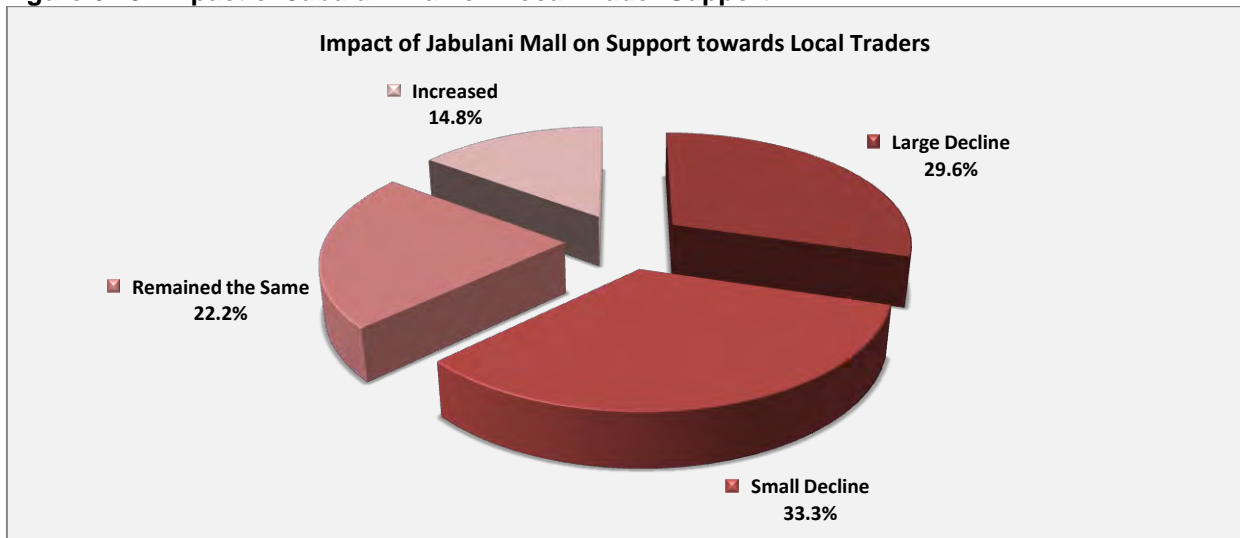
Source: Demacon Household Surveys, 2009

Figure 6.30: General Trends Pertaining to Local Traders After Development of Jabulani Mall

What happened to Local Traders

	Yes	No
Everything remained the same as before	76.4	23.61
Movement of informal traders to locations closer to the Plaza	16.5	83.49
A decline in informal traders took place	25.0	75.00
Local businesses relocated closer to the Plaza	19.3	80.73
Local businesses closed down	38.5	61.47
Local businesses relocated to the Plaza	22.0	77.98
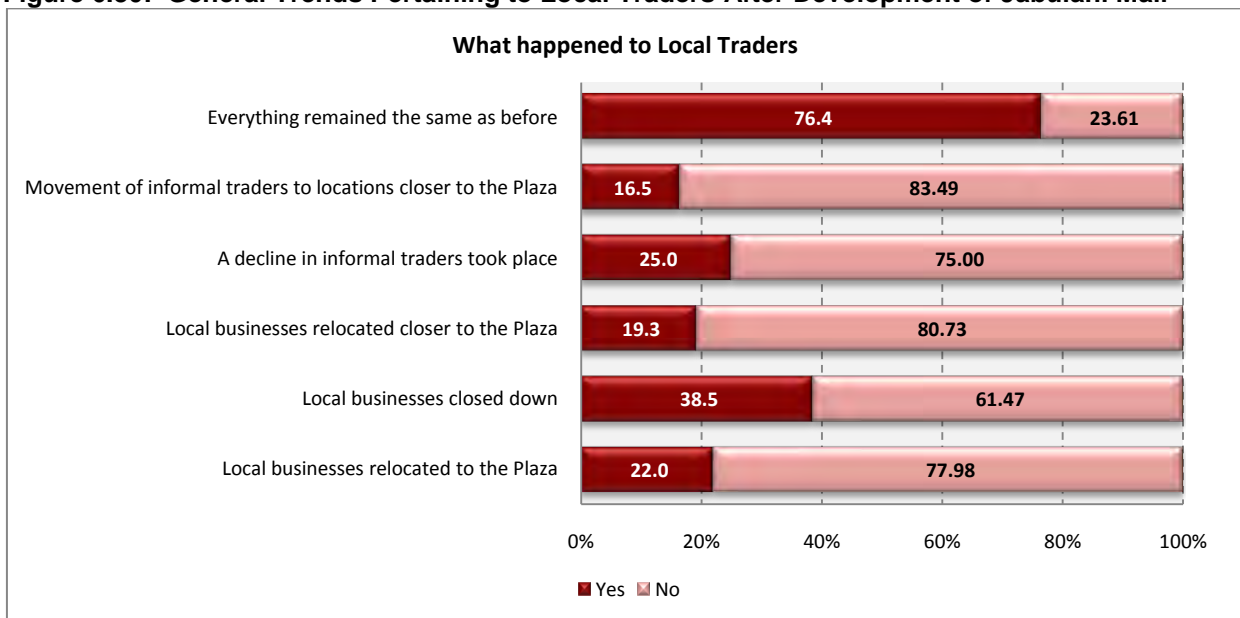
Source: Demacon Household Surveys, 2009

Findings: (Figure 6.31)

✓ In terms of the travel fares to Jabulani Mall, the majority of respondents pay between R11 and R15 for a round trip – 45.8%, followed by 44.4% of respondents indicating that they pay less than R10 for a round trip. The average weighted travel fare for a round trip to Jabulani Mall amounts to **R10.40.**

It is important to note that the development of Jabulani Mall had a positive impact on the cost of transport to formal retail centres. Before Jabulani Mall 36.4% of respondents paid more than R15 taxi / bus fares to reach a formal retail centre. After the development of Jabulani Mall this percentage declined to a mere 6.9%.

✓ In terms of travel fares to the closest town; the majority of respondents indicated that they pay between R11 and R15 for a round trip – 45.7%, followed by 26.6% indicating that they pay between R16 and R20. The average weighted fare for a round trip to the closest town amounts to **R14.1.**

✓ In terms of travel fares to local traders; the majority of respondents indicated that they pay less than R10 for a round trip – 50.0%, followed by 35.7% indicating that they pay between R11 and R15. The average weighted travel fare to local traders amounts to **R9.7.**

Figure 6.31: Average Taxi/Bus Fares
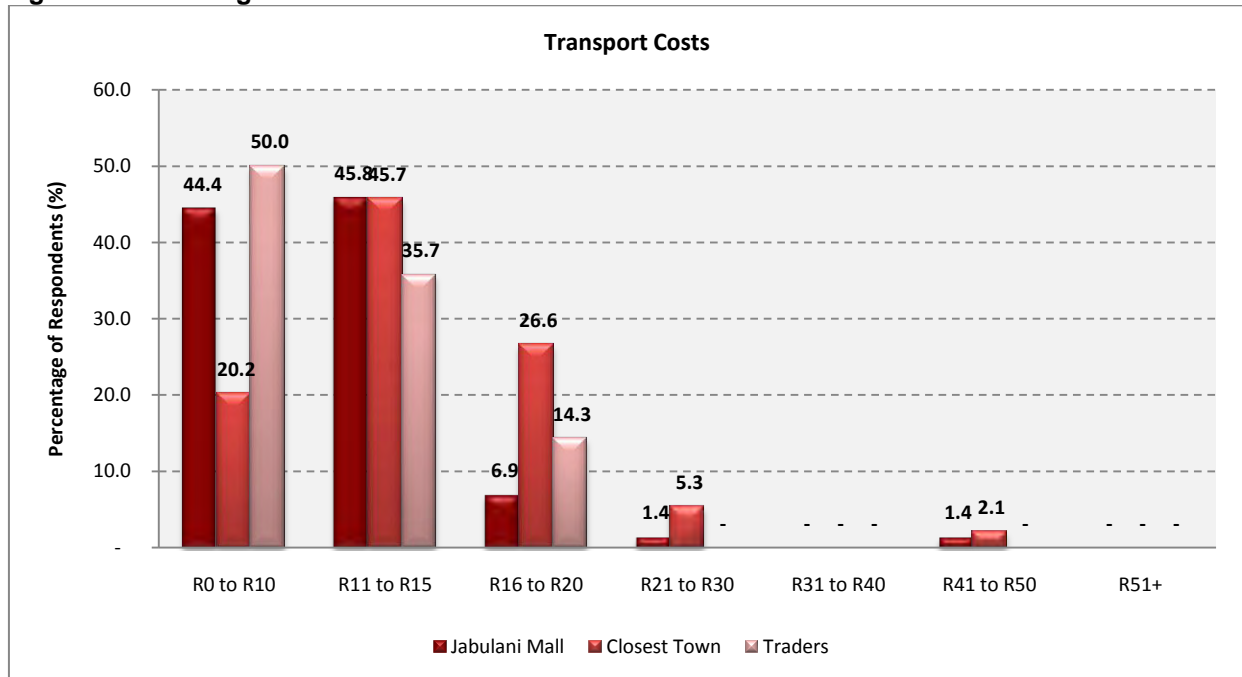
Source: Demacon Household Surveys, 2009

Figure 6.32: To what Extent Do Higher Transport Fares Deter You from Buying Outside the Local Area?
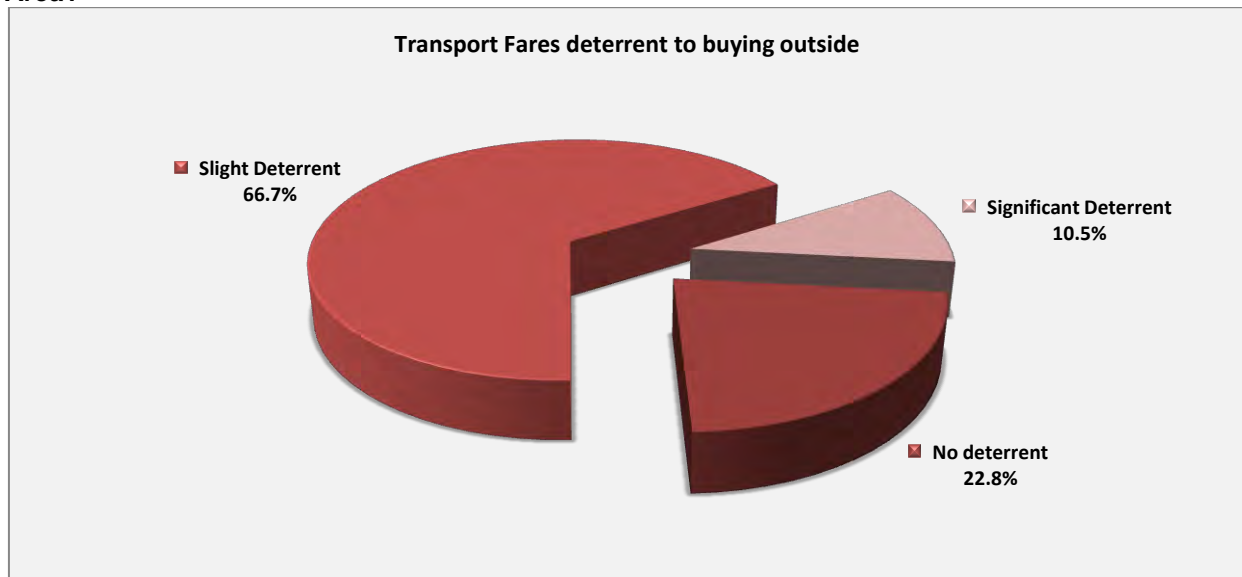
Source: Demacon Household Surveys, 2009

Findings: (Figures 6.32 and 6.33)

✓ The majority of respondents indicated that transport fares represent a slight deterrent to shopping outside of the area – **66.7%.** A segment of 22.8% indicated that they represent no deterrent and a smaller segment of 10.5% indicated that they represent a significant deterrent.

✓ The majority of respondents indicated that for transport fares of less than R10 for a round trip they would shop outside the area – 56.7%. This is followed by 29.9% of respondents

indicating an amount between R11 and R20, and 13.4% indicating amounts between R21 and R40. The average weighted transport fares promoting shopping outside the area amount to **R11.51** for a round trip.

Overall, it is evident that transport fares in themselves do not represent a dominant determining factor as to whether people will conduct retail expenditure outside of the local area. Increased transport costs of 10% will not necessarily result in a 10% increase in local retail expenditure. In general, consumers are willing to pay higher transport fares to reach larger centres such as a CBD with a wider product offering. Say, for example, they are willing to pay R10 to reach a larger retail centre (double the transport fares to a closer smaller retail centre), however, they will reconsider this retail location preference if transport fares escalate to R30 for a round trip. Overall, it is therefore evident that transport fares do not represent the dominant retail location factor, but that local product offering and critical mass are more important.

Figure 6.33: Transport Fares That Would Support Shopping Outside the Area
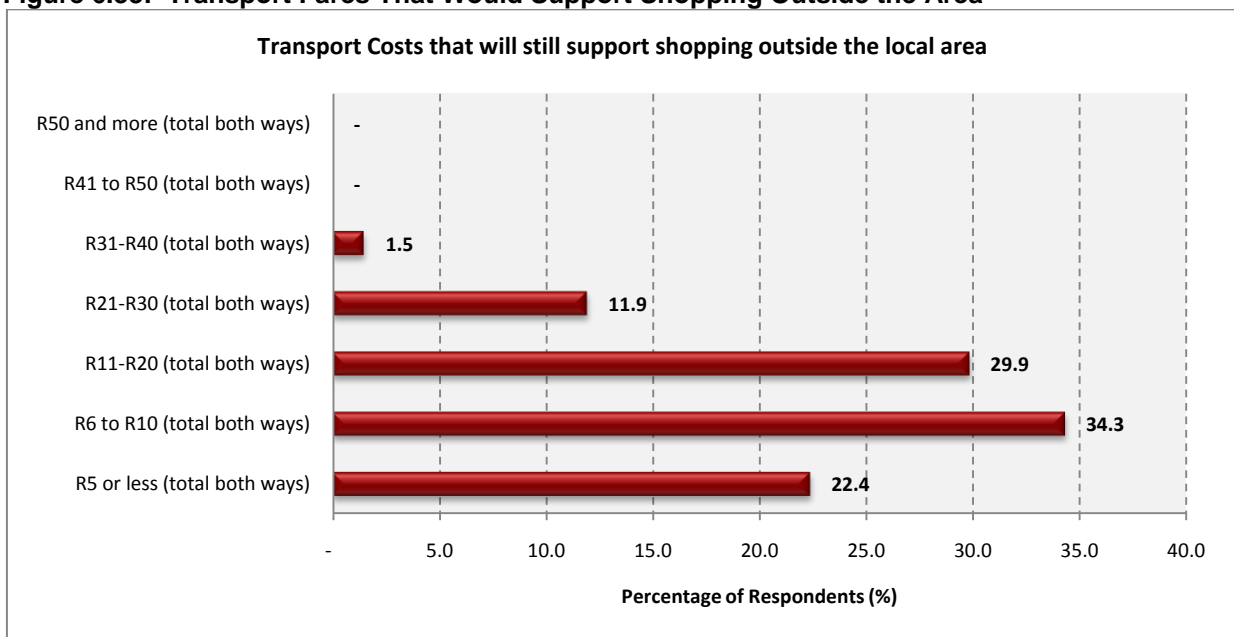
Source: Demacon Household Surveys, 2009

Figure 6.34: Average Travel Time
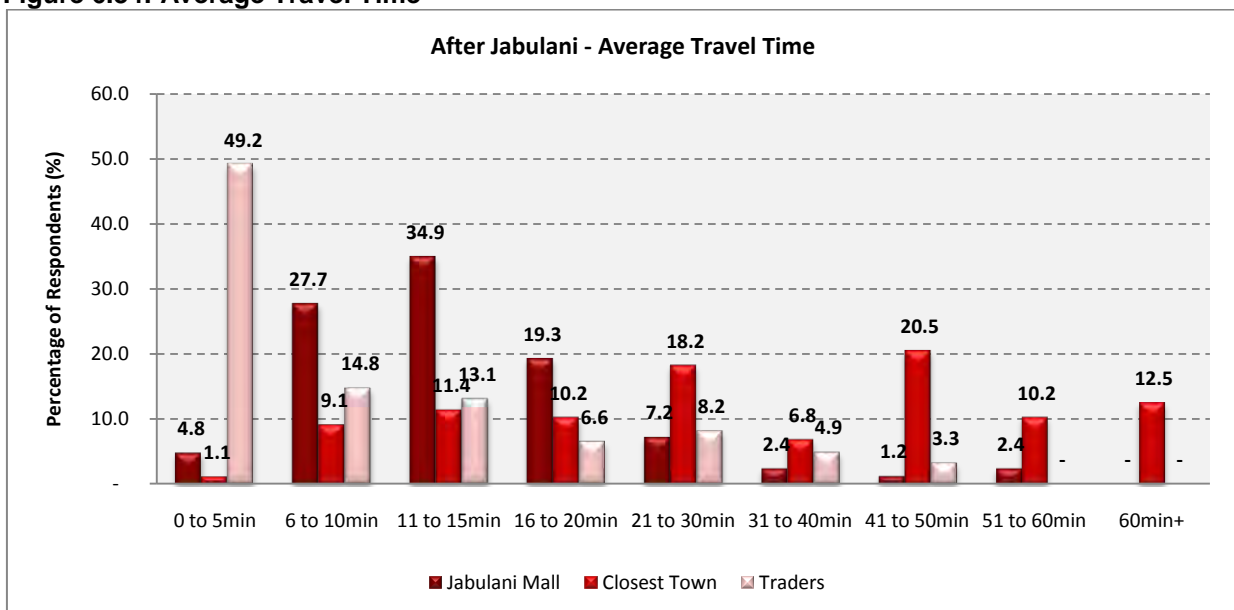
Source: Demacon Household Surveys, 2009

Findings: (Figure 6.34)

✓ The average travel time to Jabulani Mall: the largest segment of respondents indicated travel times of between 11 and 15 minutes – 34.9%, followed by six to 10 minutes (27.7%) and 16 to 20 minutes (19.3%). The average weighted travel time to Jabulani Mall amounts to **15.2 minutes**.

It is important to note that the development of Jabulani mall had a positive impact on travel times to formal retail centres. Before Jabulani Mall only 23.3% of respondents travelled for fewer than 15 minutes to a formal retail centre. After the development of Jabulani Mall this percentage increased to a total of 67.4%.

✓ The majority of respondents indicated average travel times of 41 minutes and longer to the closest town – 73.2%, this is followed by 25.0% indicating travel times between 21 minutes and 40 minutes, and 7.8% indicated travel times shorter than 20 minutes. The average weighted travel time to reach the closest town amounts to **27.1 minutes.**

✓ The majority of respondents indicate average travel times below five minutes to reach local traders – 49.2%, this is followed by 14.8% indicating travel times of between six and 10 minutes and 13.1% indicating travel times between 11 and 15 minutes. The average weighted travel time amounts to **10.6 minutes**.

6.4.4   FREQUENCY OF VISITS AND DWELL TIME

Subsequent paragraphs provide information as to the changes in visits to Jabulani Mall over the past year, the main purpose of visits to Jabulani Mall, the time preferred to conduct shopping and entertainment activities and average dwell time on a typical visit.

Figure 6.35: Changes to Visits Over Past Year
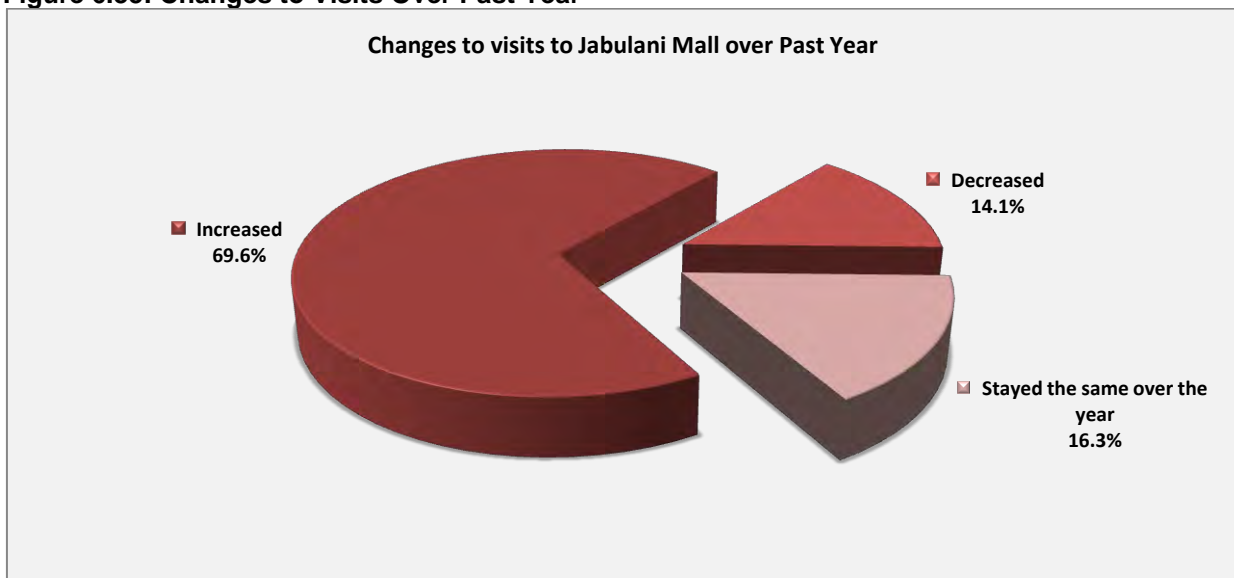
Source: Demacon Household Surveys, 2009

Figure 6.36: Main Purpose for Visiting Jabulani Mall

Main Purpose for Visiting Jabulani Mall
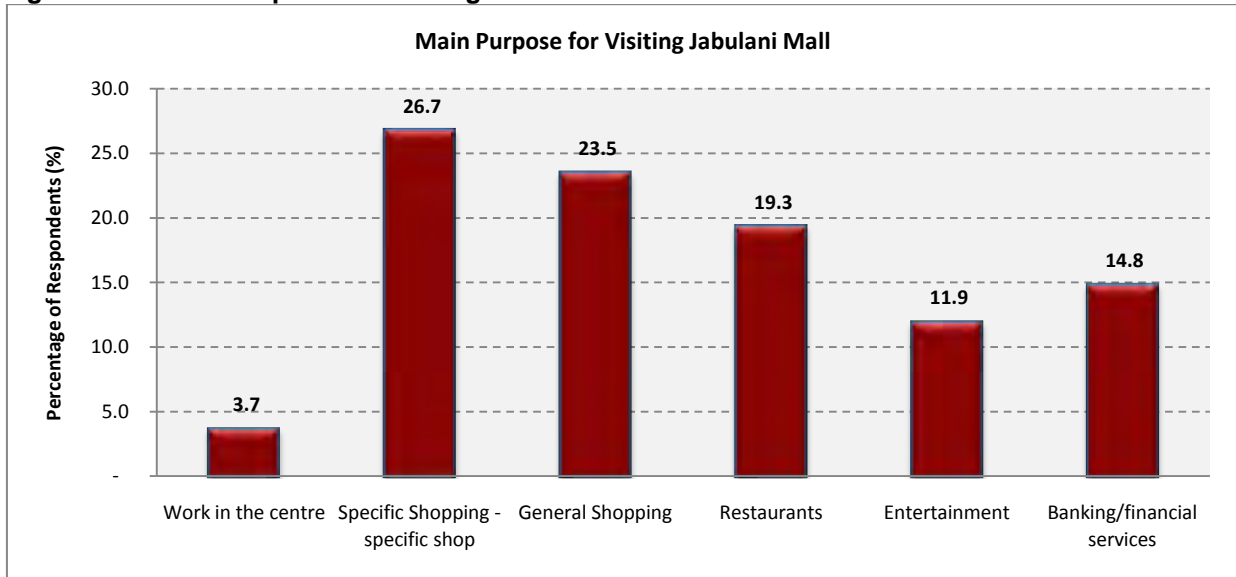
Source: Demacon Household Surveys, 2009

Figure 6.37: Preferred Time of the Day

Time of Day
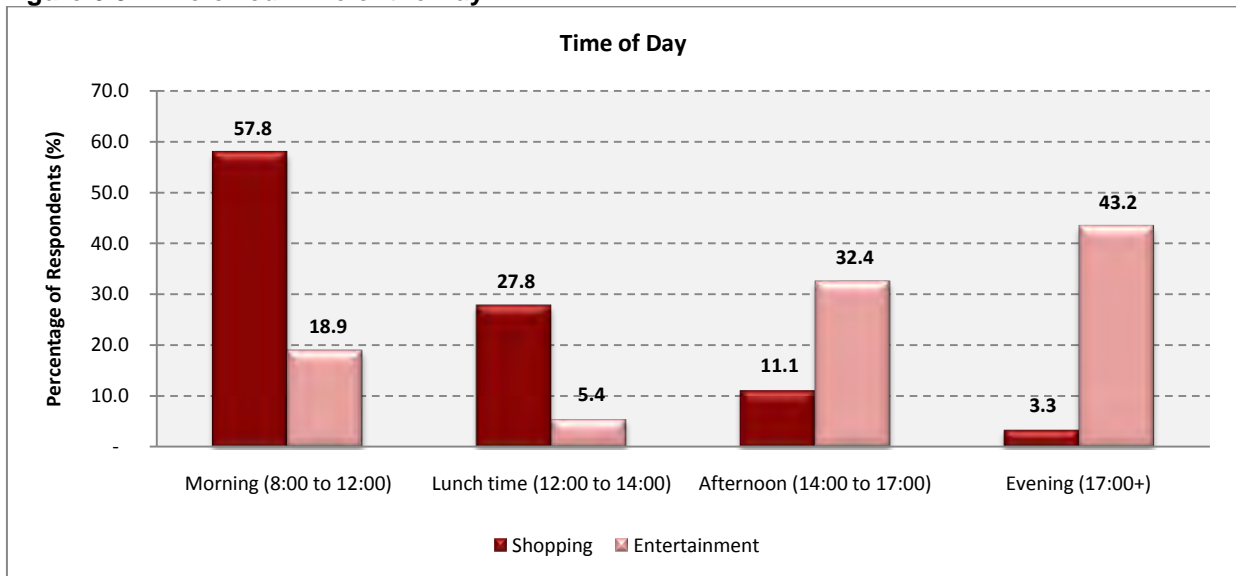
Source: Demacon Household Surveys, 2009

Figure 6.38: Average Dwell Time on Typical Visit

Average Dwell Time
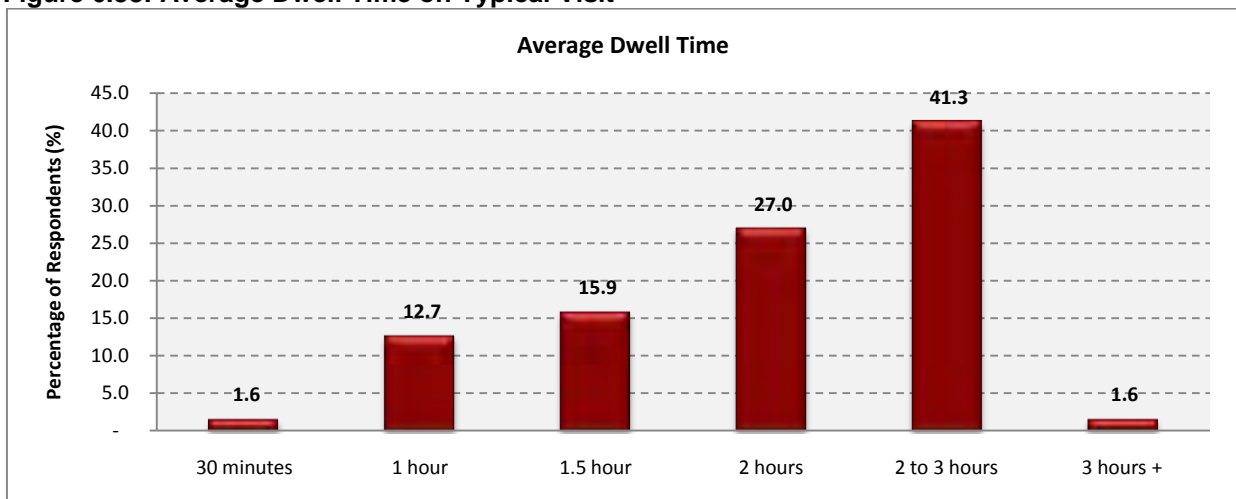
Source: Demacon Household Surveys, 2009

Findings: (Figures 6.35 to 6.38)

- ✓ The majority of respondents indicated that their visits to Jabulani Mall have increased over the past year – 69.6%, 16.3% indicated that their visits remained the same and 14.1% indicated that their number of visits declined.
- ✓ The main purpose for visiting Jabulani Mall is for visits to specific shops – 26.7%, followed by general shopping (23.5%), restaurants (19.3%), banking and financial services (14.8%).
- ✓ The preferred time of the day to conduct shopping at the mall is during the morning (57.8%) and over lunch time (27.8%).
- ✓ The preferred time of the day to visit the centre for entertainment purposes is in the evening (43.2%) and afternoon (32.4%).
- ✓ The average dwell time is predominantly between two and three hours – 68.3%.

6.4.5   SATISFACTION WITH JABULANI MALL

Subsequent paragraphs rate the overall level of satisfaction in terms of a list of centre aspects, supported by an indication of aspects that should be addressed to attract more consumers. They also reflect on the provision made for informal trade.

Figure 6.39: Overall Level of Satisfaction with Jabulani Mall
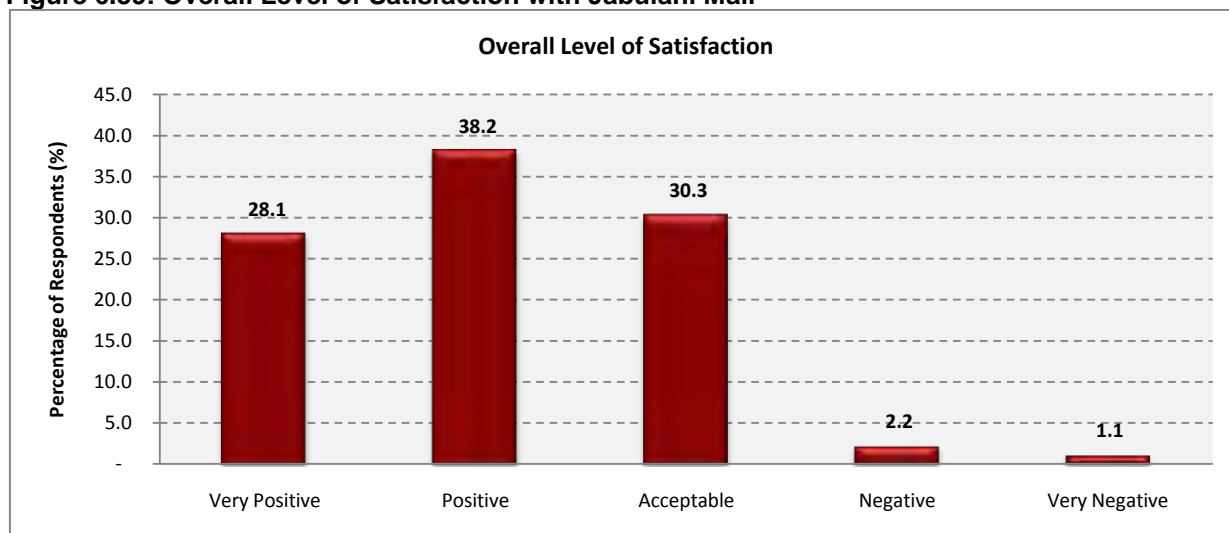
Source: Demacon Household Surveys, 2009

The majority of respondents indicated that they are satisfied (38.2%) to very satisfied (28.1%) with Jabulani Mall, supported by 30.3% indicating that the centre is acceptable. A mere 3.3% of respondents indicated negative levels of satisfaction with Jabulani Mall.

Table 6.6: Rating of Jabulani Mall Elements

	Rating					Total
	1	**2**	**3**	**4**	**5**	
TENANT MIX						
Overall image of the centre	2.2	8.6	23.7	**37.6**	28.0	100.0
Variety of stores	1.1	8.0	27.6	**46.0**	17.2	100.0
Presence of local stores/tenants	-	4.8	38.1	**40.5**	16.7	100.0
Presence of national tenants	-	4.8	35.7	**39.3**	20.2	100.0
Location of stores in relation to each other	-	4.7	32.9	**41.2**	21.2	100.0
Clothing store selection and availability	2.4	4.7	34.1	**37.6**	21.2	100.0
Convenience services selection and availability	2.7	16.2	**32.4**	29.7	18.9	100.0
Books / cards / stationery shop selection and availability	1.3	15.6	33.8	**35.1**	14.3	100.0
Entertainment and restaurant selection and availability	2.6	11.8	**36.8**	31.6	17.1	100.0
Health and beauty selection and availability	3.9	10.5	34.2	**40.8**	10.5	100.0
Home furnishing and furniture selection and availability	5.1	7.7	**39.7**	30.8	16.7	100.0
Bank / ATM location and selection	2.7	4.1	35.1	**41.9**	16.2	100.0

	Rating					Total
	1	**2**	**3**	**4**	**5**	
Availability and selection of speciality shops	1.4	5.5	28.8	**46.6**	17.8	100.0
PARKING AND ACCESS						
Convenience of the centre's location within the area	2.4	11.0	**39.0**	35.4	12.2	100.0
Transport to the centre	-	13.1	**36.1**	34.4	16.4	100.0
Link to public transport – taxi/bus ranks	4.9	11.5	**34.4**	34.4	14.8	100.0
Accessibility of parking	-	12.3	**37.0**	35.8	14.8	100.0
Adequacy of parking	-	7.3	34.1	**41.5**	17.1	100.0
Ease of access to the entrance of the centre from parking	-	6.2	34.6	**37.0**	22.2	100.0
FACILITIES						
Adequacy / quality of bathroom facilities	1.2	2.4	19.5	**43.9**	32.9	100.0
Adequacy of disability facilities	1.3	3.8	25.6	**47.4**	21.8	100.0
Availability of information kiosks and staff	1.3	2.5	22.5	**51.3**	22.5	100.0
Sufficiency of lifts / escalators	5.1	3.8	24.1	**38.0**	29.1	100.0
Availability of mall layout plans and centre signage	1.3	2.5	24.1	**40.5**	31.6	100.0
CLEANING						
The overall cleanliness of the centre	-	2.3	20.5	31.8	**45.5**	100.0
MAINTENANCE						
The overall maintenance of the centre	-	2.3	19.3	29.5	**48.9**	100.0
SECURITY						
Safety in the shopping centre and parking area	-	1.1	22.7	31.8	**44.3**	100.0
LANDSCAPING AND AESTHETICS						
Overall design and features of the centre	-	-	19.7	38.2	**42.1**	100.0

Source: Demacon Household Surveys, 2009

Findings: (Table 6.6)

✓ It is evident that the majority of tenants are satisfied with the tenant mix of Jabulani Mall. However, aspects that could be improved on include the convenience service selection, entertainment and restaurant selection, home furnishing and furniture selection.

✓ The majority of respondents also rated the parking facilities as acceptable to good. Aspects that can be improved on include the provision of more parking bays and the ease of access to the entrance of the centre from the parking areas.

✓ In terms of public facilities the majority of respondents rated these as good to excellent.

✓ The overall cleanliness, maintenance, landscaping and aesthetics of the mall are rated as excellent by the majority of respondents.

Findings: (Figures 6.40 and 6.41)

✓ The dominant perceived aspects that should be addressed include:
   • The provision of more parking;
   • Increase the size of the centre;
   • Provision of more affordable tenants;
   • Provision of more upmarket tenants;
   • More open air facilities;
   • Improve centre security;
   • More restaurants and entertainment;
   • Modernise ablution facilities.

✓ The majority of respondents also indicated that no provision is made for informal traders. However, 43.3% indicated that provision is made for informal traders.

Figure 6.40: Perceived Aspects That Should be Addressed to Attract More Consumers

Aspects to be addressed to attract more consumers

Aspect	Yes	No
Increase size of the centre	68.8	31.3
Improve Centre Legibility (internal signage)	59.7	40.3
Modernise ablution facilities	61.1	38.9
Improve Centre Security	63.0	37.0
More Parking	70.0	30.0
Change Branding	56.8	43.2
Improve Storefronts	57.5	42.5
External Face Lift	49.3	50.7
Configuration / layout	49.3	50.7
Aesthetics / internal design face lift	50.0	50.0
More home ware	53.7	46.3
More fashion	59.0	41.0
More restaurants and entertainment	62.7	37.3
More open air facilities – open squares	63.8	36.3
Tenanting – more affordable tenants	68.8	31.3
Tenanting – more upmarket tenants	66.3	33.8

Source: Demacon Household Surveys, 2009

Figure 6.41: Provision Made for Informal Traders

Provision for Informal Traders

Yes 43.3%

No 56.7%

Source: Demacon Household Surveys, 2009

6.4.6   NEED TO EXPAND JABULANI MALL

Consumers indicated the perceived need to expand Jabulani Mall, indicating the primary emphasis of the extension.

Figure 6.42: Perceived Need to Expand Jabulani Mall
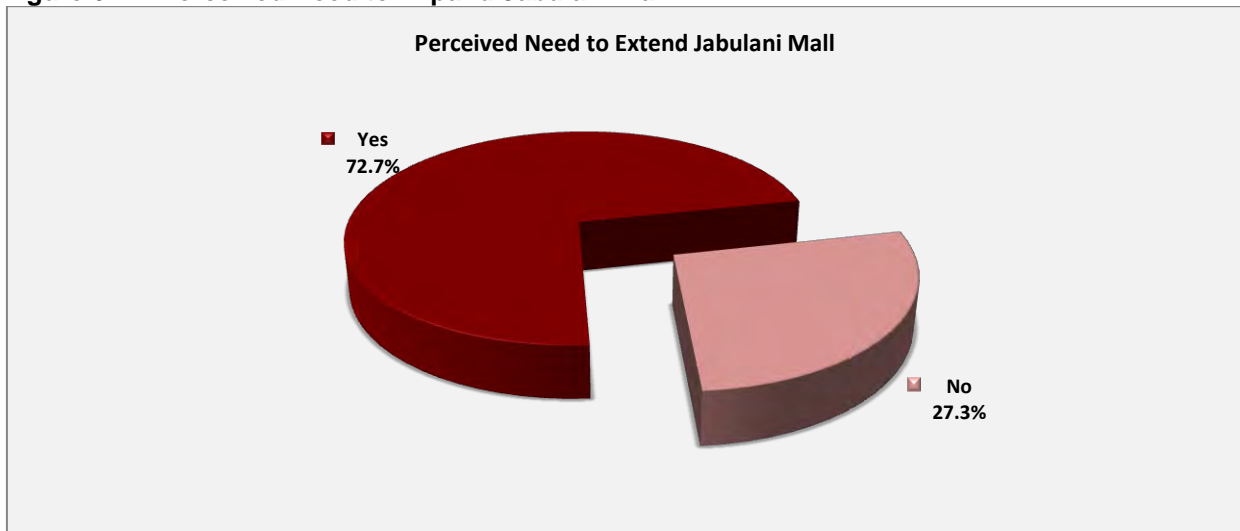
Source: Demacon Household Surveys, 2009

Figure 6.43: Preferred Primary Emphasis of Extension
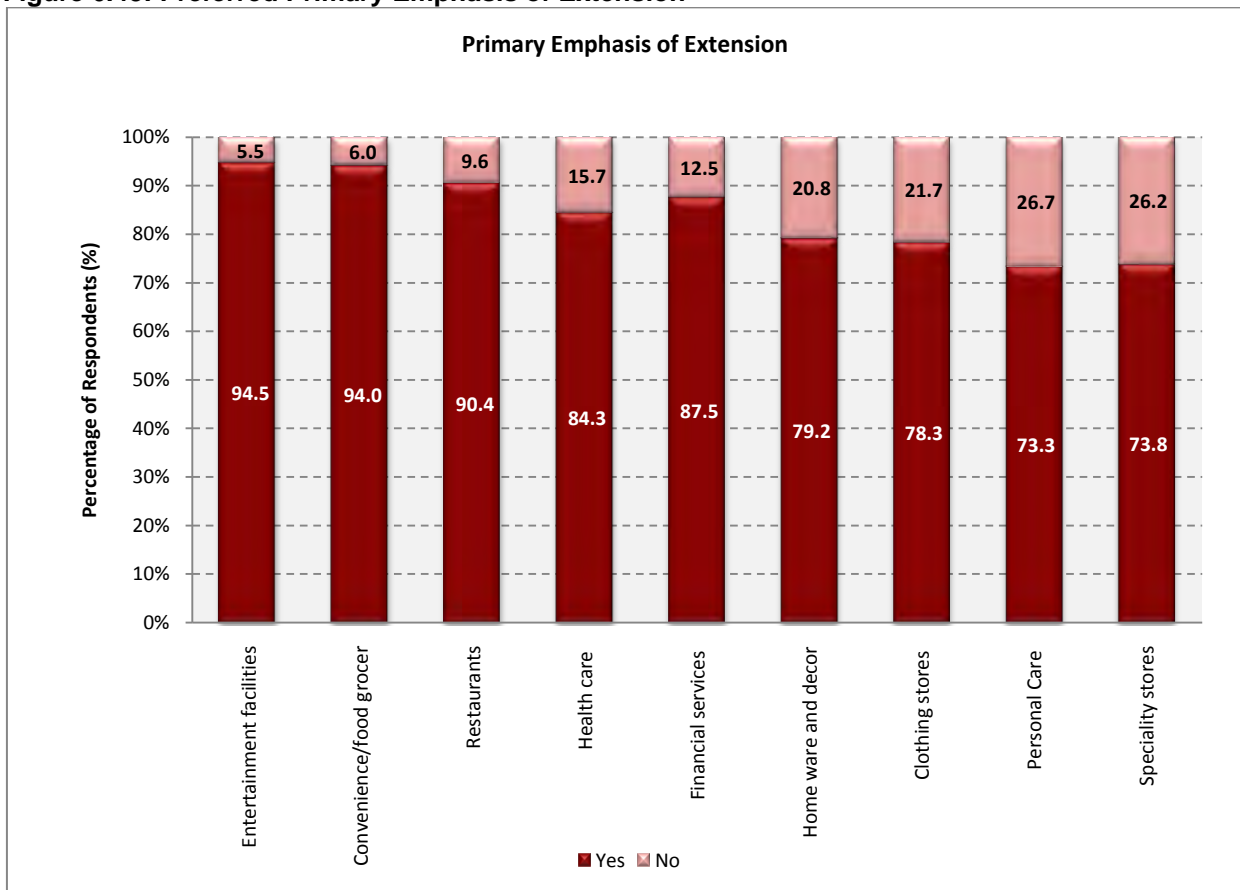
Source: Demacon Household Surveys, 2009

Findings: (Figures 6.42 and 6.43)

✓ The majority of respondents indicated a perceived need to extend Jabulani Mall – **72.7%**
✓ The preferred primary emphasis of this extension should be on increasing entertainment, convenience/food grocer, restaurants, financial services and health care.

6.4.7 OVERALL IMPACT OF JABULANI MALL

Consumers gave feedback on the overall impact that the development of Jabulani Mall had locally.

Figure 6.44: Overall Impact of Jabulani Mall
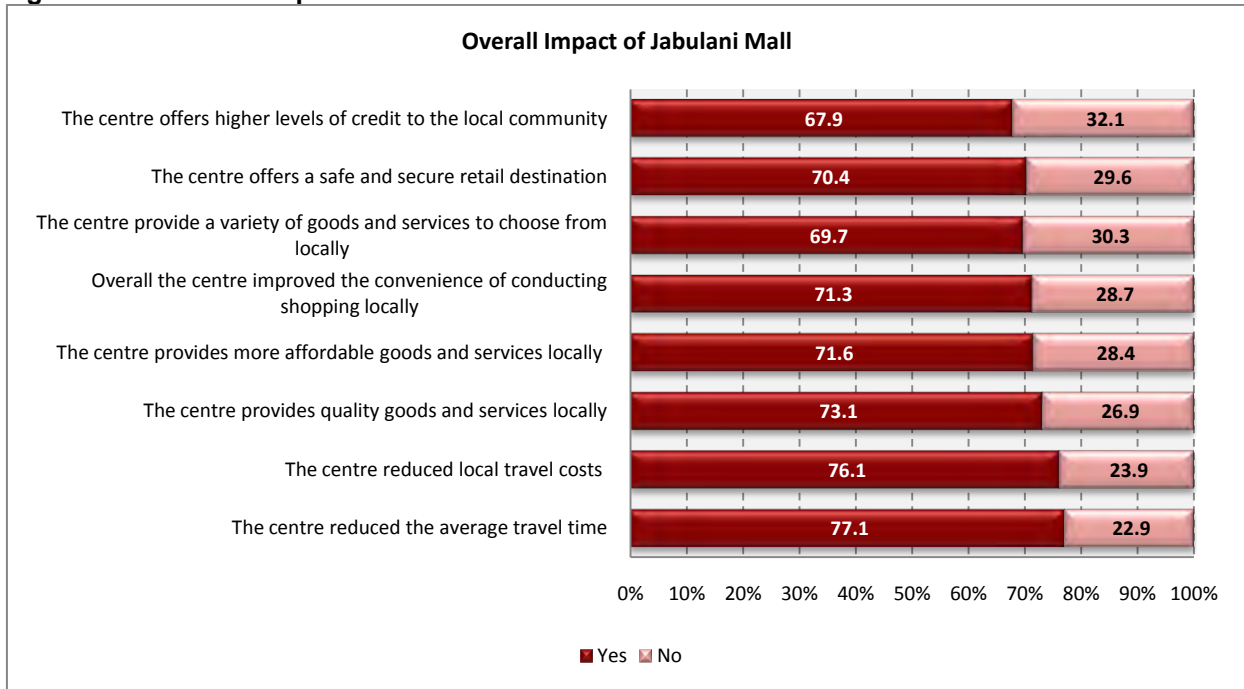
Source: Demacon Household Surveys, 2009

Findings: (Figure 6.44)

The development of Jabulani Mall resulted in the following dominant impacts:

1. It reduced the average travel time to retail centres;
2. It reduced the average travel cost to retail centres;
3. It provides quality goods and services locally;
4. The centre provides more affordable goods and services locally;
5. Overall the centre improved the convenience of shopping locally.

6.4.8 LIVING STANDARD AND AVERAGE ANNUAL INCOME

Consumers indicated changes that took place in their living standard over the past five to 10 years, supported by an indication of monthly household income and contributions from remittances and social grants.

These factors provide important base information regarding household income, sources of income and changes affecting the overall level of disposable income. In general, changes in such aspects have a direct impact on changes to living standards. These changes in living standards are therefore not directly linked to the development of Jabulani Mall, but also influenced by an array of factors listed below.

Figure 6.45: Changes in Living Standards – 5 to 10yrs
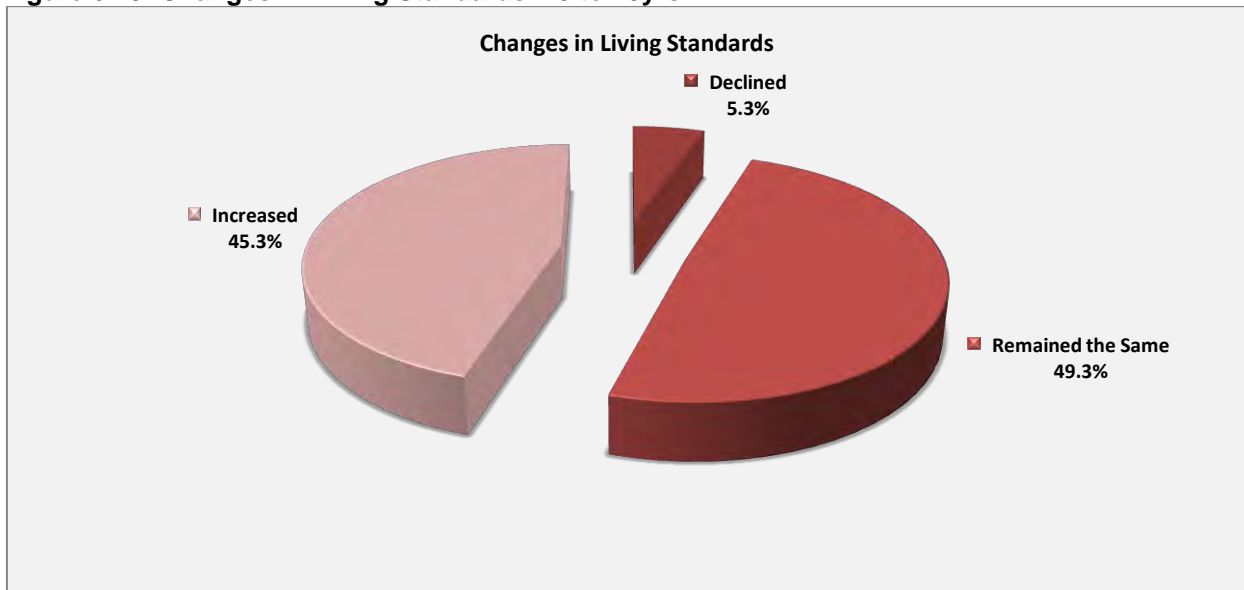
Source: Demacon Household Surveys, 2009

Figure 6.46: Average Monthly Household Income Before Deductions
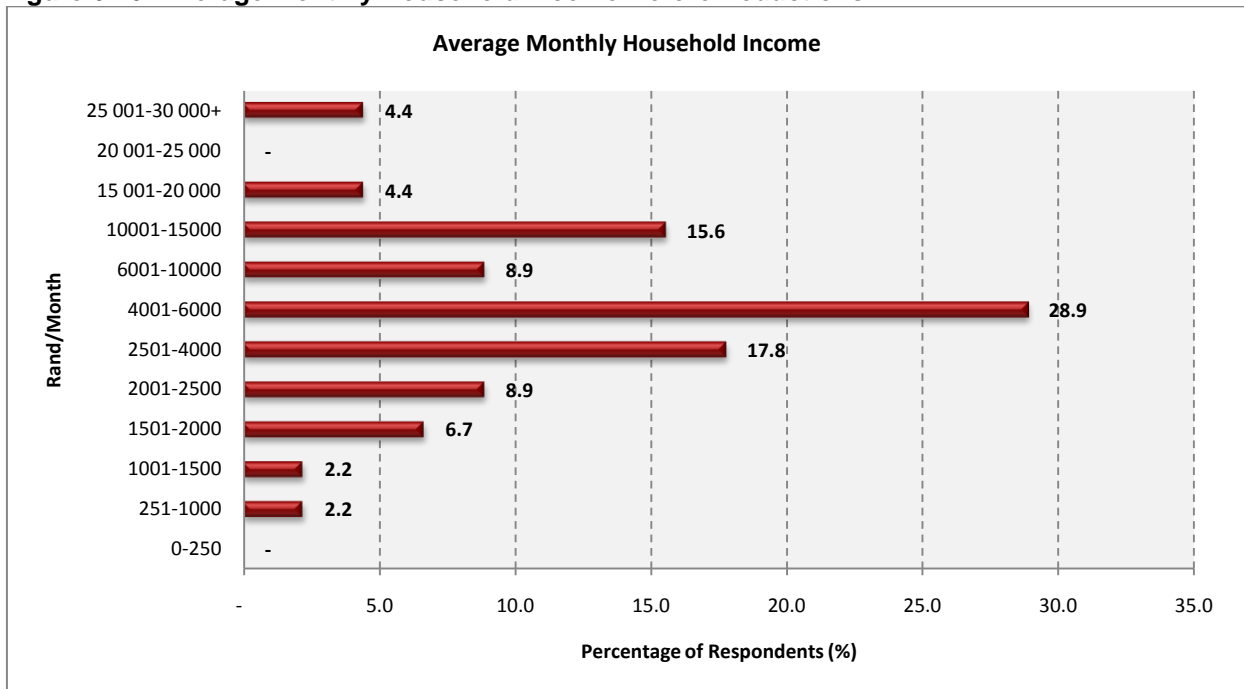
Source: Demacon Household Surveys, 2009

Findings: (Figures 6.45 to 6.46)

- ✓ The majority of respondents indicated that their living standard remained the same – 49.3%, followed by 45.3% indicating an increase in their living standard over the past five to 10 years.
- ✓ These changes can largely be ascribed to increased cost of living, economic recession, 2010 developments, increased job opportunities, reduced expenses, improved service delivery, improved levels of education, new retail centre development and general improvement in living conditions.
- ✓ The weighted average monthly household income amounts to **R6 814.38.**
- ✓ In terms of remittances, it was indicated that **28.4%** of respondents obtain a certain percentage of their income from **remittances**. 38.7% of these respondents receive

remittances making up 20% to 40% of their monthly incomes and 61.3% indicated that remittances make up 70% to 100% of their monthly incomes.

✓ **17.4%** of respondents also indicated that a certain segment of their income originates from the **social grant system**. 60.0% of these respondents obtain social grants constituting 10% to 20% of their monthly income, 20.0% obtain social grants constituting 40% to 50% of their monthly income, 5.0% obtain social grants constituting 70% of their monthly income and 15% obtain social grants constituting 100% of their monthly household incomes.

6.5 SYNTHESIS

This chapter provided an in-depth assessment of Jabulani Mall, the socio-economic profile of the primary trade area population and past and current consumer behaviour. Overall, the chapter assisted with the identification of the impacts that the development of Jabulani Mall had on the local community and economy – see Table 6.7.

Table 6.7: Impact of the Development of Jabulani Mall

	Change	Impact
Changes in shopping location:		
Soweto	33.3% to 39.7%	⬆
Roodepoort	12.7% to 17.4%	⬆
Jhb CBD	42.0% to 28.9%	⬇
Other	12.0% to 14.0%	⬆
Percentage of shopping conducted outside the local areas	60.5% to 35.5%	⬇
Percentage of shopping at local traders	25.3% to 14.2%	⬇
Average transport cost:		
Retail centre	R15.6 to R10.4	⬇
Local traders	R12.7 to R19.7	⬆
Average travel time:		
Retail centre	25.3min to 15.2min	⬇
Local traders	16.3min to 10.6min	⬇
Monthly household retail xxpenditure	R1 260.00 to R1 503.09 Jabulani Mall – R1 163.66	⬆
Impact on local traders:	Slight to large decline in support – 42.6%	⬇
1. **Everything remained the same**	76.4%	**Constant**
2. **Closure of local businesses**	38.5%	**Negative**
3. **Decline in informal traders**	25.0%	**Negative**
4. **Movement of local business to the mall**	22.0%	**Positive**
5. **Movement of local businesses closer to the mall**	25.0%	**Positive**
6. **Informal traders moved closer to the mall**	16.5%	**Positive**
Overall impact of Jabulani Mall		
1. **Reduced average travel time**	77.1%	**Positive**
2. **Reduced average travel cost**	76.1%	**Positive**
3. **Provide good quality goods and wervices locally**	73.1%	**Positive**
4. **Centre provides more affordable goods and services locally**	71.6%	**Positive**
5. **Overall the centre improved the convenience of conducting shopping locally**	71.3%	**Positive**

From Table 6.7 it is evident that the overall impact of Jabulani Mall has been positive, despite the slightly negative perceived impact on support for local traders. Overall, it has improved the retail landscape within the local area; reducing the leakage of buying power and improving the overall convenience of shopping locally.

CHAPTER SEVEN: IN-DEPTH CASE STUDY ANALYSIS – CENTRAL CITY

7.1   INTRODUCTION

Central City represents a minor regional centre located in Mabopane, Gauteng. The purpose of this chapter is multi-fold:

✓ Firstly, to provide a profile of the centre under investigation and its location in relation to surrounding supply;
✓ Secondly, to provide a socio-economic profile of the primary consumer market of the centre;
✓ Thirdly, to provide an overview of past and present consumer market behaviour, overall levels of satisfaction, perceived needs and preferences;
✓ Fourthly, to determine the overall impact that the development of the centre has had on the local community and economy.

7.2   CENTRAL CITY PROFILE AND LOCATION WITH REFERENCE TO COMPETITION

7.2.1   CENTRAL CITY PROFILE

Table 7.1 provides a condensed profile of Central City Shopping Centre. Overall, it is evident that it represents a minor regional centre of 52 000m^2 retail GLA, located on Stand 426, Unit E, Central Road, Mabopane in the Gauteng Province. It was developed in 1996 and consists of a single retail floor with 90 shops and 1 030 parking bays. It is anchored by Shoprite, Score Supermarket and Clicks.

Table 7.1: Central City Profile

Centre type	Minor regional centre
Centre size	52 000m^2 retail GLA
Location	Stand 426, Unit E, Central Road, Mabopane
Date of development	1996
Number of retail floors	1
Number of shops	90
Number of parking bays	1 030 open
Anchor tenants	Shoprite Score Supermarket Clicks
Owner	Public Investment Corporation
Developer	Public Investment Corporation

Source: Demacon Ex. SACSC, 2010

7.2.2   CENTRAL CITY LOCATION WITH REFERENCE TO COMPETITION

Map 7.1 indicates the location of Central City with reference to existing retail centres within and just beyond a 10km radius. Table 7.2 provides an overview of the nature and size of these centres.

Map 7.1: Location of Central City and Other Retail Centres Within a 10km Radius

Soshanguve Plaza - 19,161m²

Central City Shopping Centre - 49,175m²

Mabopane Sun Plaza - 3,000m²

Shoprite Centre - Garankuwa - 9,404m²

Ga-Rankuwa Shopping Centre - 27,119m²

Rosslyn ABSA Forum - 2,151m²

Shopping Centre Size (in sqm)

⚫ 100,000 to 150,000	🟡 25,000 to 50,000
🔴 50,000 to 100,000	🟢 12,000 to 25,000
🔵 5,000 to 12,000	
🔵 0 to 5,000	

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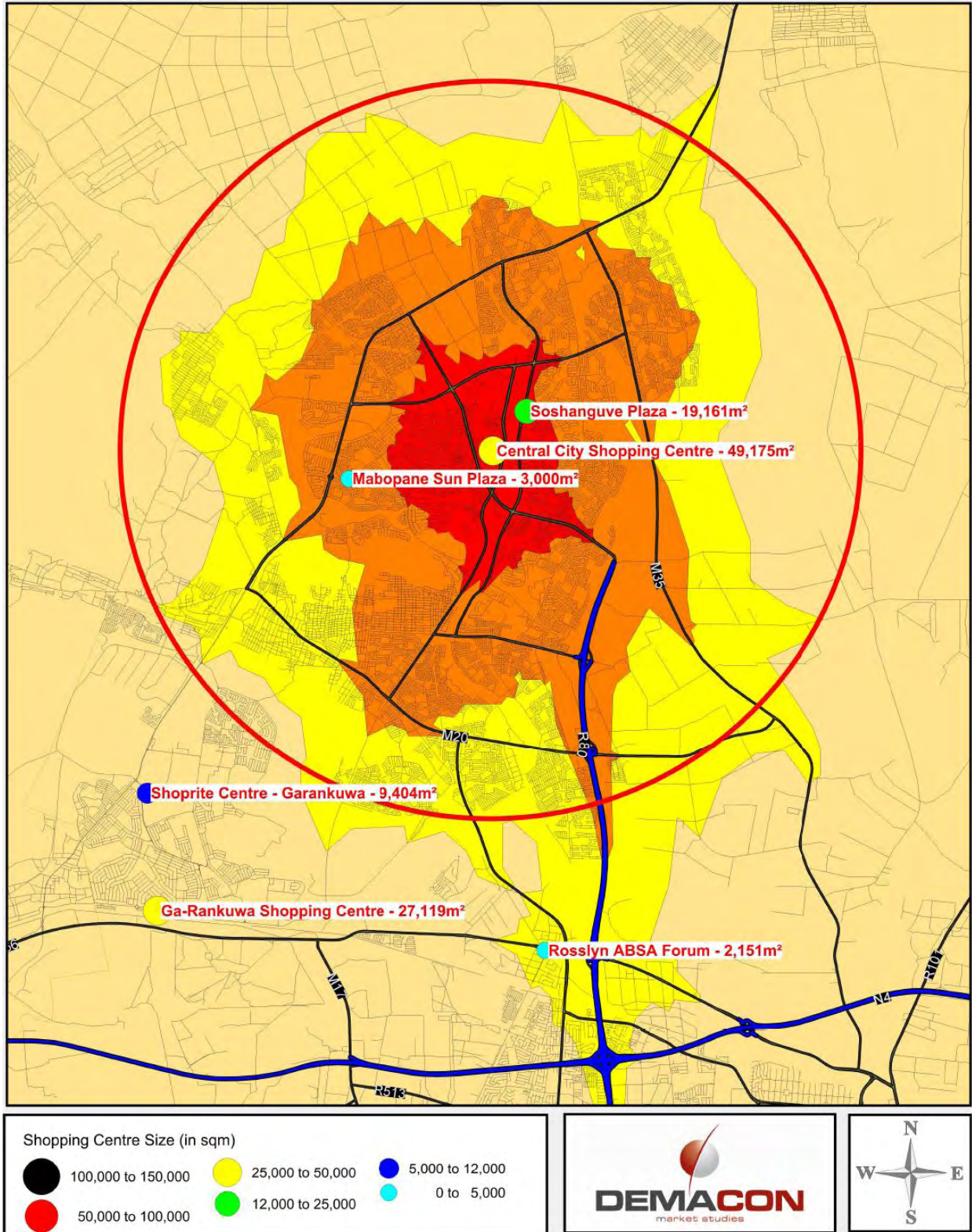
Table 7.2: Existing Supply Within 10km from Central City

Centre	Location	Size (m²GLA)	Classification	Developed	Shops	Anchors
Central City Shopping Centre	Mabopane	49 175.0	Minor regional centre	1986	96	Shoprite, Score Supermarket, Clicks
Mabopane Sun Plaza	Mabopane	3 000.0	Local convenience centre	1999	15	Spar, Medical Centre
Soshanguve Plaza	Soshanguve	19 161.8	Community centre	2006	57	Shoprite
Total		71 336.8				

Source: Demacon Ex. SACSC, 2010

- ✓ There are two other retail centres within a 10km radius of Central City.
- ✓ One is located in Johannesburg and the other in Soshanguve.
- ✓ These represent one community and one local convenience centre.
- ✓ The sizes of the centres vary between 3 000m² retail GLA and 19 161.8m² retail GLA.
- ✓ The centres excluding Central City constitute a total of 22 161.8m² of retail GLA.
- ✓ Only one of these centres was developed post 2000.
- ✓ Anchors include Shoprite, Score Supermarket and Clicks.

Three other centres are located within 15km of Central City. Two of these centres are located in Ga-Rankuwa (a community and neighbourhood centre) and one in Rosslyn (neighbourhood centre).

Overall, Central City is located in a market area characterised by low levels of supply, with no direct effective competitive supply of similar scale or nature.

7.3   CONSUMER MARKET PROFILE

In order to understand the consumer market profile of Central City, a 10km trade area was delineated – Refer to Map 7.2. Subsequent paragraphs highlight the dominant characteristics of the primary trade area population, in terms of:

- ✓ Population size;
- ✓ Racial profile;
- ✓ Age profile;
- ✓ Level of education;
- ✓ Employment status;
- ✓ Occupation profile and manner of employment;
- ✓ Average annual household income;
- ✓ Mode of transport;
- ✓ Dwelling type.

Map 7.2: Central City Primary Trade Area Delineation, 10km Radius

Table 7.3: Consumer Market Profile, 2010 Estimates

Variable	Primary Source Market Characteristics
Number of people	✓ 657 096
Number of households	✓ 184 979
Household size	✓ 3.5
Household density	✓ 1 182.9 households/km^2
Racial distribution	✓ African blacks – 98.9% ✓ White – 0.9% ✓ Coloureds – 0.2% ✓ Asian – 0.0%
Age profile	✓ 0-14: 29.3% ✓ 15-19: 10.4% ✓ 21-35: 29.7% ✓ 36-65: 27.7% ✓ 65+: 2.9%
Educational attendance (aged 5 to 24 years)	✓ School: 62.6% ✓ None: 27.7% ✓ Pre-school: 3.6% ✓ Technikon: 3.2% ✓ Other: 2.9%
Highest level of education (aged 20 and older)	✓ Higher: 7.0% ✓ Grade 12: 24.3% ✓ Some secondary: 33.5% ✓ Some primary and primary: 22.0% ✓ None: 13.2%
Level of employment	✓ EAP: 64.3% ✓ Employed: 53.5% ✓ Unemployed: 46.5%
Manner of employment	✓ Paid employees: 90.6% ✓ Self-employed: 8.3% ✓ Family worker: 0.7% ✓ Employer: 0.3%
Occupation profile	✓ Elementary occupations: 26.8% ✓ Craft and related trade: 17.0% ✓ Service workers: 13.9% ✓ Clerks: 12.5% ✓ Plant and machine operators and assemblers: 11.1% ✓ Technicians and associate professionals: 10.0% ✓ Professionals: 4.5% ✓ Legislators, senior officials and managers: 3.2%
Weighted average[67] household income	Total market earning an income: ✓ R68 408.2/annum ✓ R5 700.7/month LSM 4 to 10+: ✓ R89 855.8/annum ✓ R7 488.0/month
LSM profile	✓ LSM 1-3: 43.8% ✓ LSM 4-10+: 56.2%
Mode of transport	✓ On Foot: 47.2% ✓ Bus: 16.0% ✓ Mini-bus: 15.6% ✓ Train: 11.9% ✓ Private vehicle: 8.3%
Dwelling type	✓ House on separate stand: 54.5% ✓ Informal dwelling on separate stands: 31.0% ✓ Informal dwelling in backyard: 4.6% ✓ Living quarters: 4.3% ✓ House/flat/room in backyard: 2.5%

Source: Demacon Ex. Quantec, 2010

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[67] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

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Subsequent figures highlight some of the salient features of the consumer market.

Figure 7.1: Age Profile of Consumer Market

Age Profile

Age categories	Percentage
Ages: 85+	0.2
Ages: 80-84	0.4
Ages: 75-79	0.5
Ages: 70-74	0.8
Ages: 65-69	1.1
Ages: 60-64	1.8
Ages: 55-59	2.6
Ages: 50-54	3.8
Ages: 45-49	5.3
Ages: 40-44	6.6
Ages: 35-39	7.7
Ages: 30-34	8.5
Ages: 25-29	10.2
Ages: 20-24	11.0
Ages: 15-19	10.4
Ages: 10-14	10.3
Ages: 05-09	9.7
Ages: 00-04	9.2

Percentage of population (%)
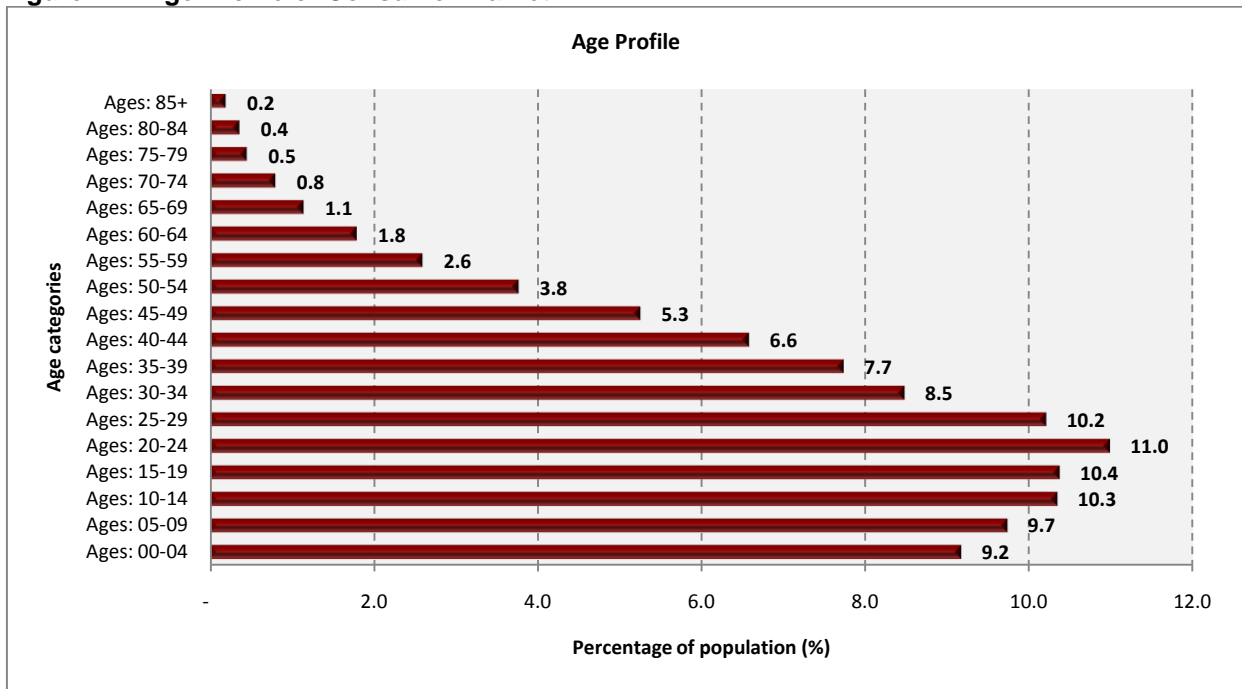
Source: Demacon Ex. Quantec, 2010

Figure 7.2: Employment Status

Employment Status
- Economically Active 64.3%
- Not Economicaly Active 35.7%

Level of employment
- Employed 53.5%
- Unemployed 46.5%
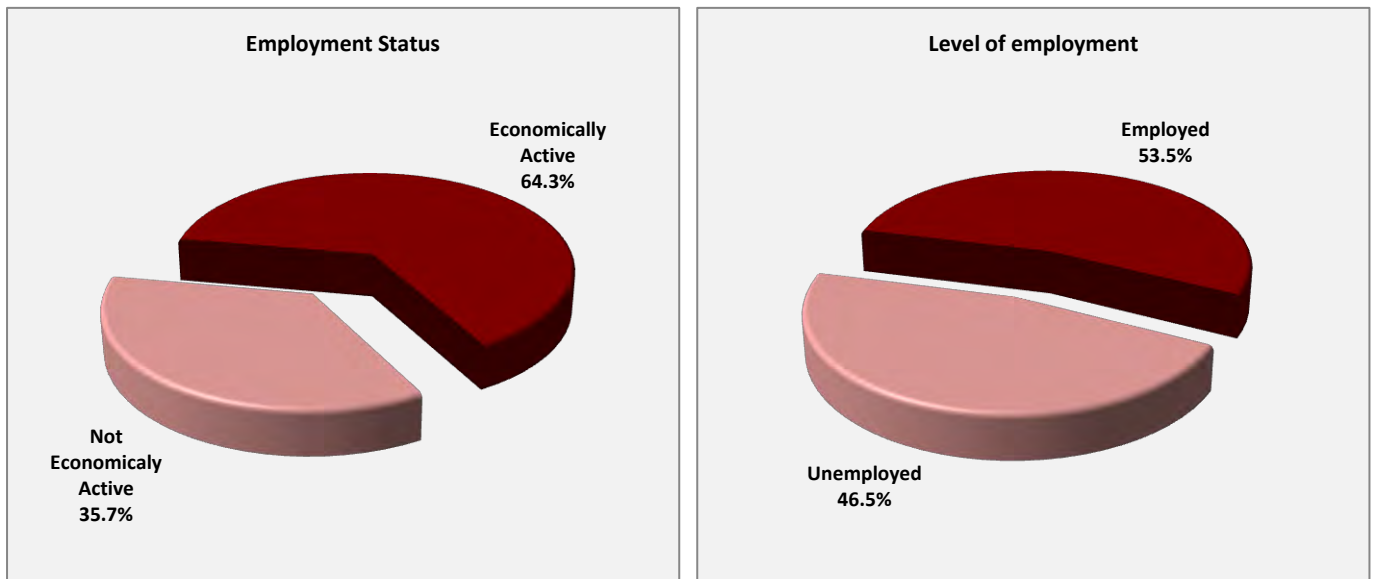
Source: Demacon Ex. Quantec, 2010

Table 7.4: Living Standard Measurement Indicator, 2010

Income category (R/month)	LSM Status	Market Area
Super A income	LSM 10+	1.3
A Income	LSM 10	0.5
B Income	LSM 9	3.6
C Income high	LSM 8	1.6
C Income low	LSM 7	9.3
D Income	LSM 6	13.6
D Lower top	LSM 4 to 5	26.3
D lower end	LSM 1 to 3	43.8

Source: Demacon Ex. Quantec, 2010

Figure 7.3: Average Annual Household Income, 2010
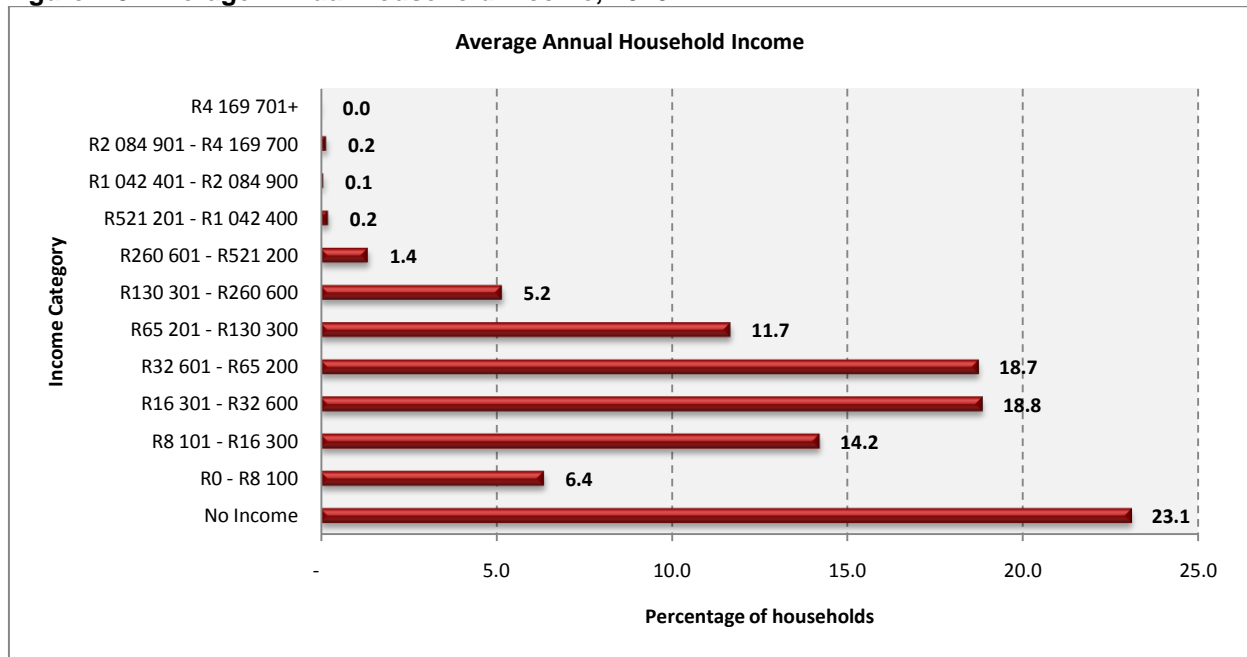
Average Annual Household Income

Income Category	Percentage of households
R4 169 701+	0.0
R2 084 901 - R4 169 700	0.2
R1 042 401 - R2 084 900	0.1
R521 201 - R1 042 400	0.2
R260 601 - R521 200	1.4
R130 301 - R260 600	5.2
R65 201 - R130 300	11.7
R32 601 - R65 200	18.7
R16 301 - R32 600	18.8
R8 101 - R16 300	14.2
R0 - R8 100	6.4
No Income	23.1

Source: Demacon Ex. Quantec, 2010

Overall the primary consumer market profile reveals the following pertinent characteristics:

✓ At least **184 979** households (2010);
✓ Largely an African black consumer market;
✓ Relatively large young and upcoming market segment, supported by more mature adult segment and large youth component;
✓ Less sophisticated consumer market characterised by relatively low levels of education;
✓ Relatively large economically active market segment, characterised by moderate levels of employment – reflecting moderately high dependency ratios;
✓ Occupation profile reflects a dominance of blue collar occupations – serving as a proxy for a lower to middle income consumer market characterised by pockets of wealth and poverty;
✓ Weighted average monthly household income of target market (LSM 4 to 10+) approximately **R7 488.0** (2010);
✓ Moderate living standard levels – **LSM 1 to 3 (43.8%); LSM 4 to 10+ (56.2%)**;
✓ A number of factors contribute to the general property development climate in a specific geographical area. Thesocio-economic factors that provide an initial indication of market potential are levels of education, level of employment, income and standards of living. These factors combined reflect a consumer market with a demand predominantly focused towards the middle to lower end of the upper spectrum of commercial products and services.

In order to examine the impact that the development of Central City had on the local community, proportionally stratified household surveys were conducted within the 10km radius. Subsequent paragraphs highlight the findings of these surveys.

7.4   IMPACT OF THE DEVELOPMENT OF CENTRAL CITY

Household surveys were conducted within the 10km trade radius in order to assess past and current consumer behaviour using the development of Central City as reference point. They also look at current levels of satisfaction, perceived demands pertaining to future extensions and preferences pertaining thereto. Overall, these findings show the overall impact that the centre had on the local community and their consumer behaviour.

The findings of these surveys are addressed under the subsequent main headings:

✓   Household information;
✓   Past consumer behaviour;
✓   Current consumer behaviour;
✓   Frequency of visits and dwell time;
✓   Level of satisfaction;
✓   Need to expand Central City;
✓   Overall impact of the development of Central City;
✓   Living standard and average annual income.

7.4.1   HOUSEHOLD INFORMATION

In terms of household information the following were addressed: number of households on premises, average household size, current life stage, age profile of household members, family member mainly responsible for conducting retail purchases, mode of transport, number of breadwinners and suburb of employment.

Figure 7.4: Number of Households on Premises
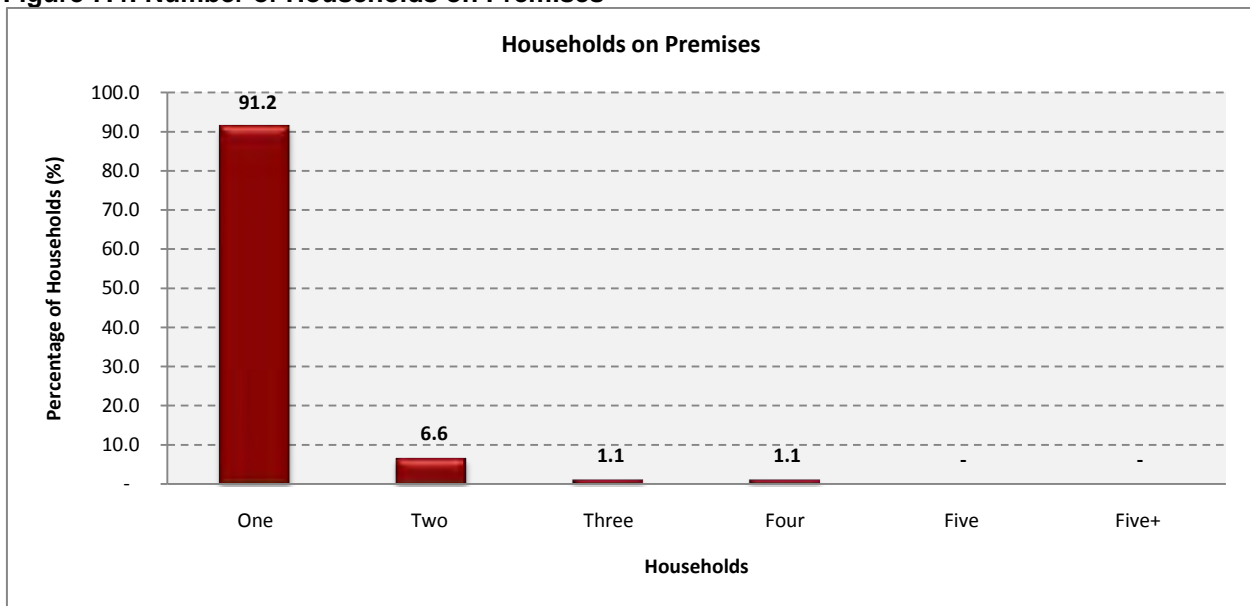
Source: Demacon Household Surveys, 2009

Figure 7.5: Average Household Size
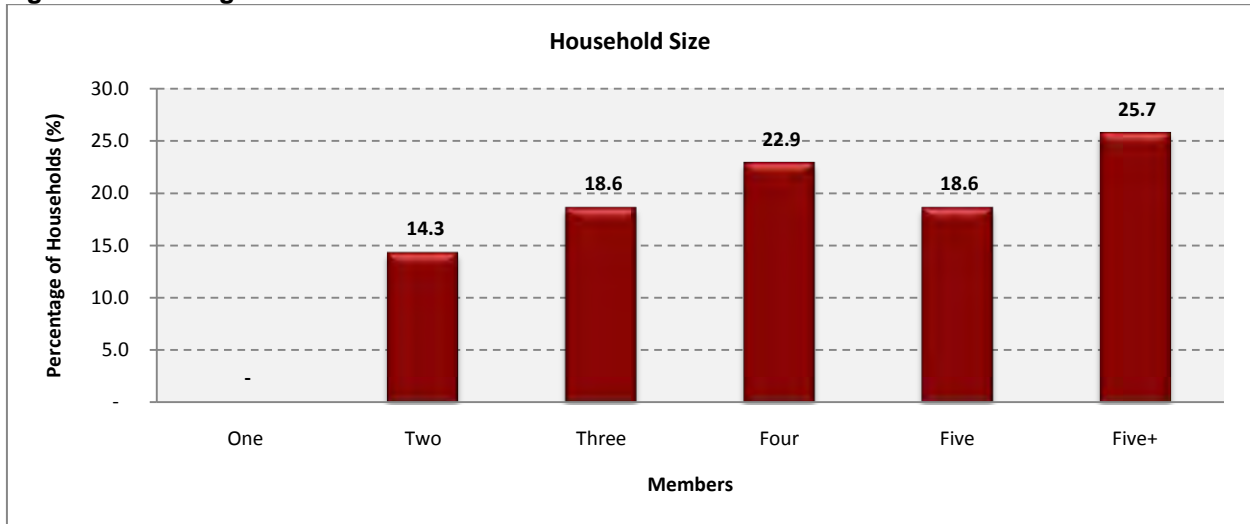
Source: Demacon Household Surveys, 2009

Figure 7.6: Current Life Stage
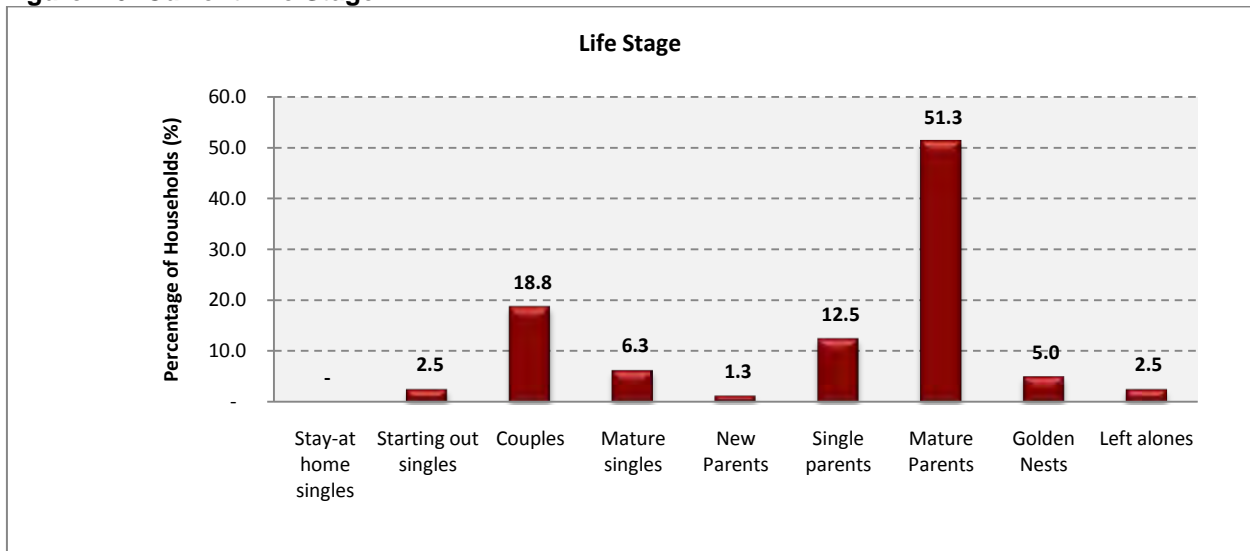
Source: Demacon Household Surveys, 2009

Figure 7.7: Age Profile of Household Members
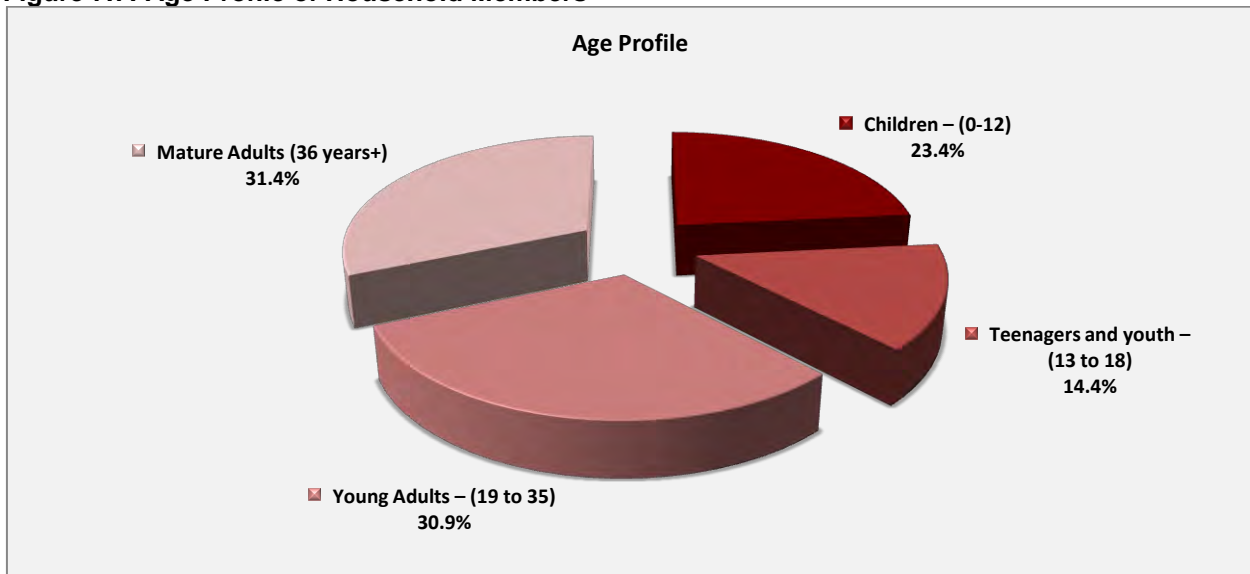
Source: Demacon Household Surveys, 2009

Figure 7.8: Family Member Responsible for Retail Purchases

Family Member Responsible for Retail Puchases

- Mother 58.3%
- Father 18.3%
- Daughter 7.0%
- Son 6.1%
- Grandma 7.8%
- Grandpa 2.6%
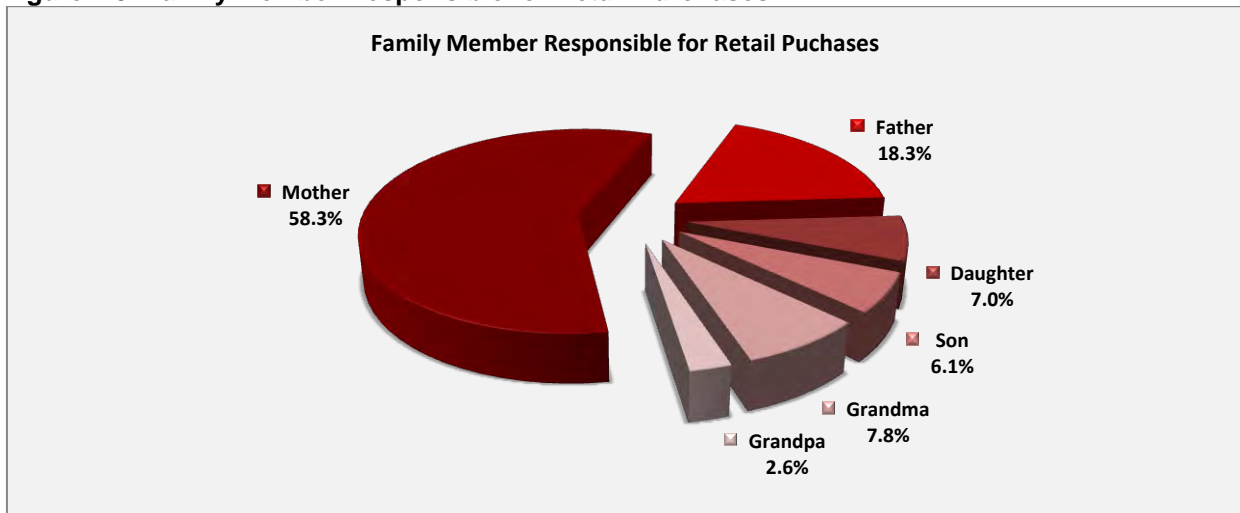
Source: Demacon Household Surveys, 2009

Figure 7.9: Mode of Transport

Family Member Responsible for Retail Puchases - Mode of Transport

- Public Transport 65.6%
- Walk 3.2%
- By car as driver 24.7%
- By car as passenger 6.5%
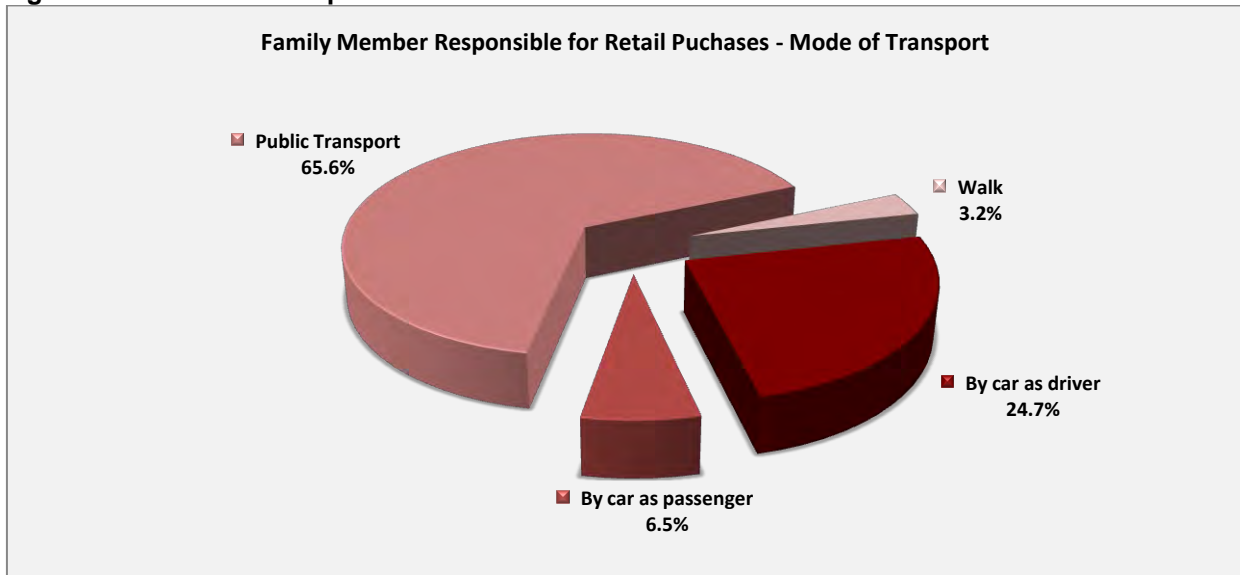
Source: Demacon Household Surveys, 2009

Figure 7.10: Breadwinners per Household

Number of Breadwinners

- Two 35.6%
- One 54.8%
- Three 8.2%
- Three+ 1.4%
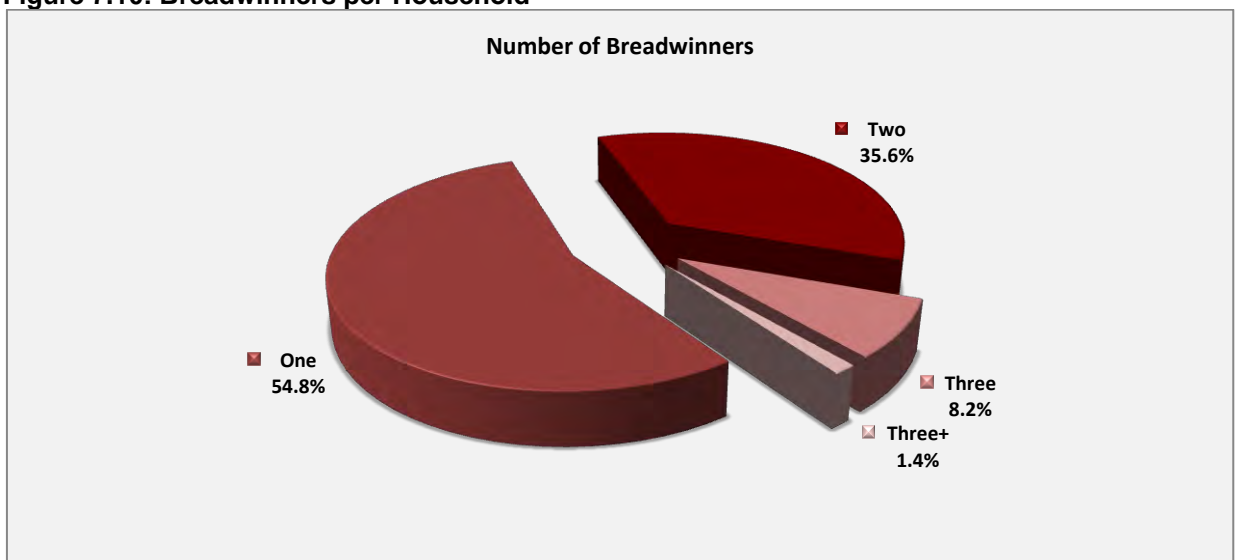
Source: Demacon Household Surveys, 2009

Findings: (Figures 7.4 to 7.10)

Consumer market reflects the following household characteristics:

✓ There is mainly one household on the premises - 91.2%;
✓ Households mainly consist of more than five members (25.7%), followed by a large segment of households with three to five members (60.1%);
✓ The dominant life stages include mature parents (51.3%), couples (18.8%) and single parents (12.5%);
✓ The age profile of household members reflects a dominant adult population (31.4%), supported by a nearly even segment of young adults (30.9%) and a medium sized segment of children (23.4%) and teenagers (14.4%);
✓ The mothers (58.3%), followed by fathers (18.3%) and grandmothers (7.8%) are largely responsible for retail purchases;
✓ They reach their retail destinations mostly by means of public transport (65.6%), private vehicles (31.2%) or walking (3.2%);
✓ The majority of households are characterised by a single breadwinner (54.8%), followed by 35.6% of the households being characterised by two breadwinners and a small segment having more than two breadwinners
✓ These breadwinners are mainly employed in Pretoria, Pretoria Central, Soshanguve, Brits, Mabopane, Pretoria West, Hercules and Rosslyn.

7.4.2 PAST CONSUMER BEHAVIOUR

Subsequent paragraphs address the issue of past consumer behaviour, before Central City was developed. They provide information on where consumers shopped before the mall was developed, what percentage of shopping was conducted outside of the local area, at which centre, the distance to these centres, an indication of expenditure at local traders, household expenditure, transport costs and average time to retail destinations and traders.

Figure 7.11: Retail Location Before Central City
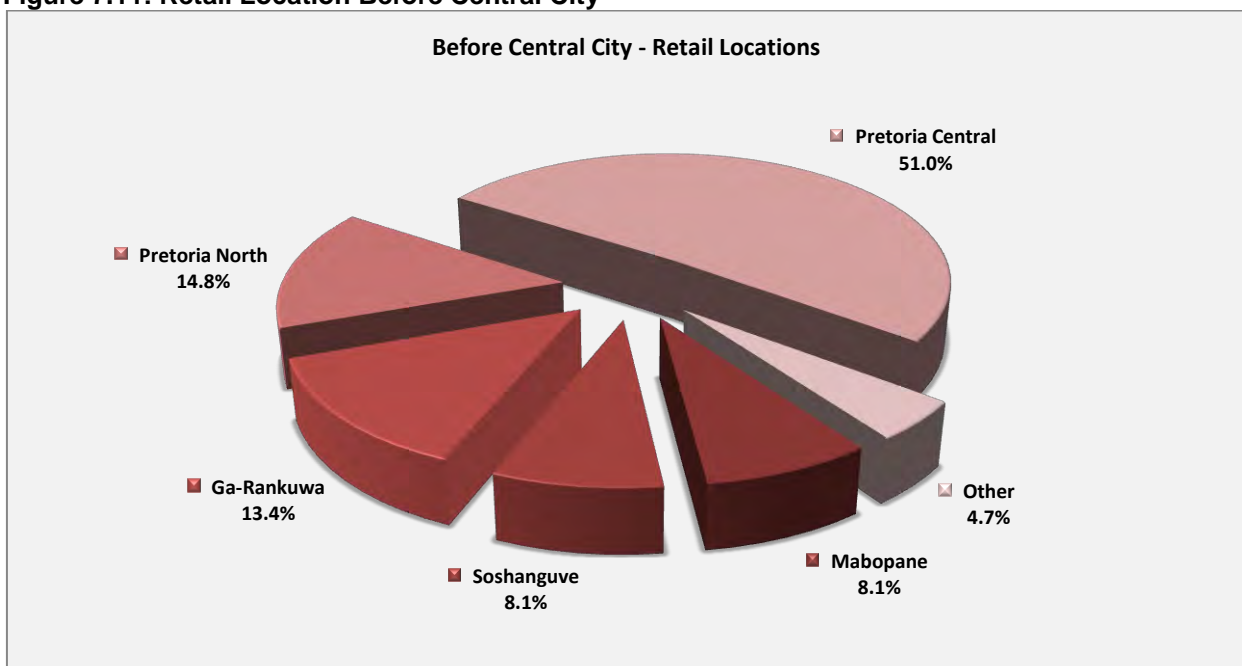
Source: Demacon Household Surveys, 2009

Figure 7.12: Percentage of Shopping Conducted Outside the Local Area Before Central City

Leakage of Buying Power before Central City

Percentage (%)	Percentage of Respondents (%)
91-100%	21.6
81-90%	9.5
71-80%	16.2
61-70%	10.8
51-60%	14.9
41-50%	8.1
31-40%	9.5
21-30%	4.1
16-20%	2.7
10-15%	1.4
6-10%	1.4
0-5%	-
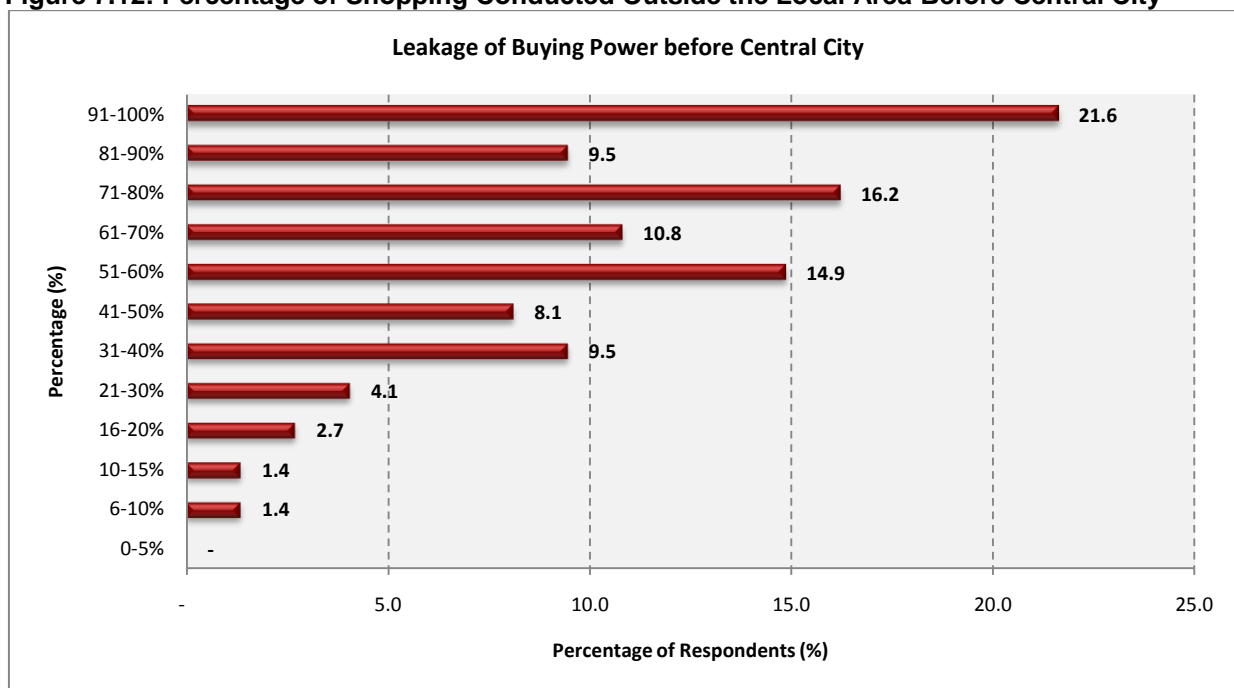
Source: Demacon Household Surveys, 2009

Table 7.5: Preferred Retail Centre Before Central City

	Centres	Areas
Groceries	Pretoria Central, Ga-Rankuwa, OK Centre Silverton	Pretoria, Ga-Rankuwa, Silverton
Top-up groceries	Pretoria Central, OK Centre, Wonderpark Shopping Centre, Ga-Rankuwa	Pretoria, Silverton, Karen Park, Ga-Rankuwa
Clothing /shoes /accessories	Pretoria Central, Wonderpark Shopping Centre, Wonderboom Plaza, Marabastad	Pretoria, Karen Park, Wonderboom, Marabastad
Furniture and home ware	Pretoria Central, OK Centre, Wonderboom Plaza, Wonderpark Shopping Centre	Pretoria, Silverton, Wonderboom, Karen Park
Hardware goods	Pretoria Central, OK Centre, Wonderboom Plaza, Wonderpark Shopping Centre	Pretoria, Silverton, Wonderboom, Karen Park
Gifts books and confectionary	Pretoria Central, Wonderpark Shopping Centre, OK Centre, Marabastad, Wonderboom Plaza	Pretoria, Karen Park, Silverton, Pretoria, Wonderboom
Specialty / value goods	Pretoria Central, Wonderpark Shopping Centre, Wonderpark Shopping Centre, OK Centre, Rosslyn, Wonderboom Plaza	Pretoria, Karen Park, Silverton, Rosslyn, Wonderboom
Entertainment	Pretoria Central, Wonderpark Shopping Centre, Pretoria North, Rosslyn, OK Centre	Pretoria, Karen Park, Pretoria North, Rosslyn, Wonderboom
Restaurants	Pretoria Central, Wonderpark Shopping Centre, Pretoria North, OK Centre, Rosslyn, Wonderboom Plaza	Pretoria, Karen Park, Pretoria North, Rosslyn, Wonderboom
Personal care	Pretoria Central, Wonderpark Shopping Centre, Pretoria North, OK Centre, Rosslyn	Pretoria, Karen Park, Pretoria North, Silverton, Rosslyn
Services & other	Pretoria Central, Wonderpark Shopping Centre, Pretoria North, OK Centre, Rosslyn	Pretoria, Karen Park, Pretoria North, Silverton, Rosslyn

Source: Demacon Household Surveys, 2009
Note: Households also listed Northpark Mall as a centre, however, based on development dates it was developed a year after Central City and not included in the table.

Findings: (Figures 7.11 to 7.12 and Table 7.5)

✓ Before Central City was developed, the majority of respondents conducted their shopping in Pretoria Central (51.0%), followed by Pretoria North (14.8%), Ga-Rankuwa (13.4%), Soshanguve (8.1%), Mabopane (8.1%) and other centres (4.7%).

✓ Before Central City was developed approximately 65.2% (weighted average[68]) of shopping was conducted outside of the local area.

✓ In terms of the preferred retail centres the following dominant centres featured: Pretoria CBD, Ga-Rankuwa Centre, OK Centre, Wonderpark Shopping Centre, Pretoria North, Rosslyn Centre and Wonderboom Plaza.

✓ The dominant retail areas include Pretoria, Ga-Rankuwa, Silverton, Karen Park, Rosslyn, Wonderboom and Pretoria North.

Figure 7.13: Average Distance to Preferred Centre
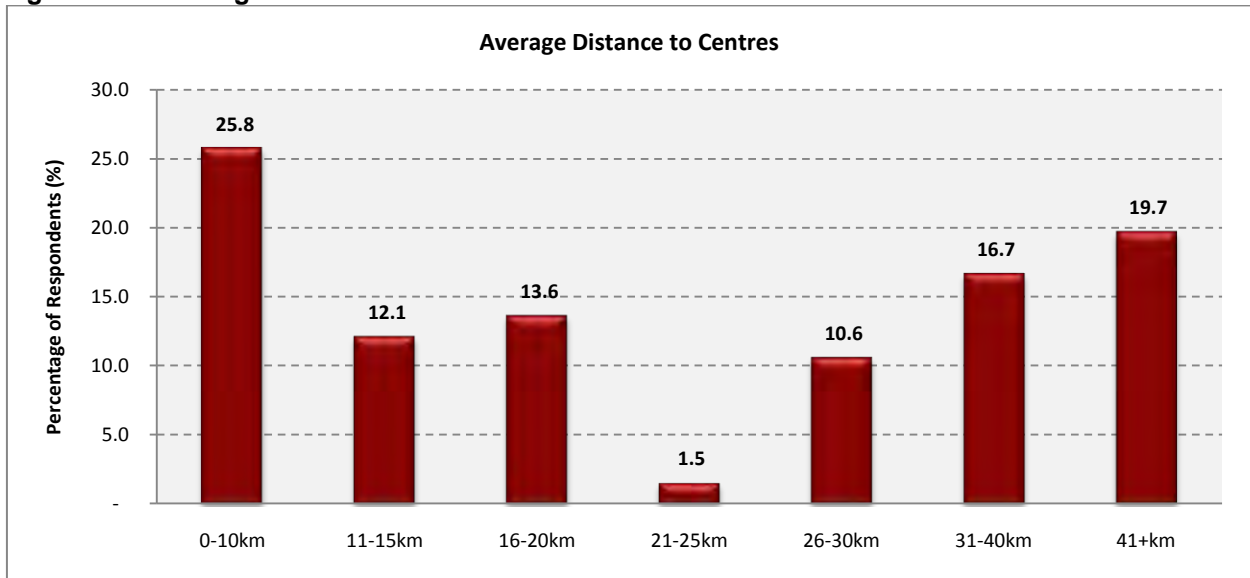
Source: Demacon Household Surveys, 2009

Figure 7.14: Percentage of Shopping Conducted at Local Traders Before Central City

Source: Demacon Household Surveys, 2009

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[68] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weighted, and then adding the results.

Findings: (Figures 7.13 to 7.15)

✓ Before the development of Central City the average distance to supported retail centres was mainly less than 10km (25.8%), followed by large segments indicating distances between 11km and 20km (25.7%) and more than 30km (36.4%). The average weighted distance amounted to **23.5km.**

✓ Respondents conducted between 6% and 10% (31.6%) of their shopping at local traders, with a nearly even segment indicating that they carried out between 31% and 50% of their shopping at local traders (27.8%). The average weighted percentage conducted at local traders amounted to **19.7%.**

✓ The majority of households spent between R400 and R1 200 a month at formal retail centres (71.4%), 14.3% of households spent more than R1200 a month and 14.3% of households spent less than R400 a month. Average monthly household expenditure at formal retail centres amounted to **R816.9.**

✓ The majority of households spent between R100 and R150 a month at local traders (53.3%), 31.3% spent between R150 and R400 per month and 18.8% spent less than R100 a month at local traders. The average monthly household expenditure at local traders amounted to **R158.31.**

Figure 7.15: Monthly Household Expenditure at Retail Centres and Local Traders
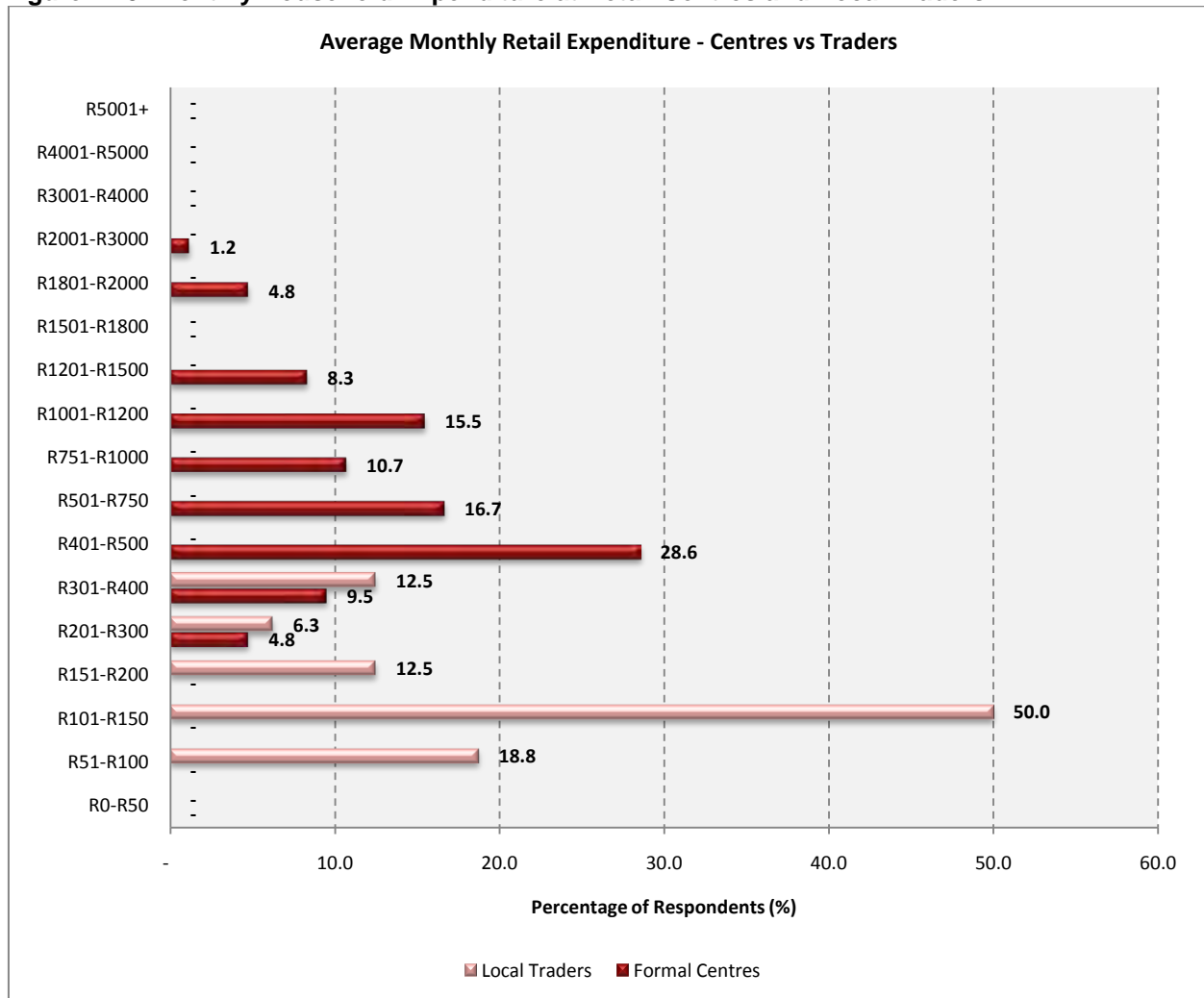
Source: Demacon Household Surveys, 2009

Figure 7.16: Average Bus/Taxi Fare

Average Transport Cost - Taxi/Bus Fare (both ways)

Y-axis: Percentage of Respondents (%)

Category	Formal Centre	Local Traders
R0 to R10	26.3	36.0
R11 to R15	37.5	40.0
R16 to R20	18.8	4.0
R21 to R30	15.0	20.0
R31 to R40	-	-
R41 to R50	2.5	-
R51+	-	-

■ Formal Centre   ■ Local Traders

Source: Demacon Household Surveys, 2009

Figure 4.17: Average Travel Time

Average Travel Time

Y-axis: Percentage of Respondents (%)

Category	Formal Centres	Local Traders
0 to 5min	1.6	35.0
6 to 10min	3.3	37.5
11 to 15min	13.1	17.5
16 to 20min	16.4	5.0
21 to 30min	31.1	-
31 to 40min	14.8	-
41 to 50min	9.8	5.0
51 to 60min	9.8	-

■ Formal Centres   ■ Local Traders
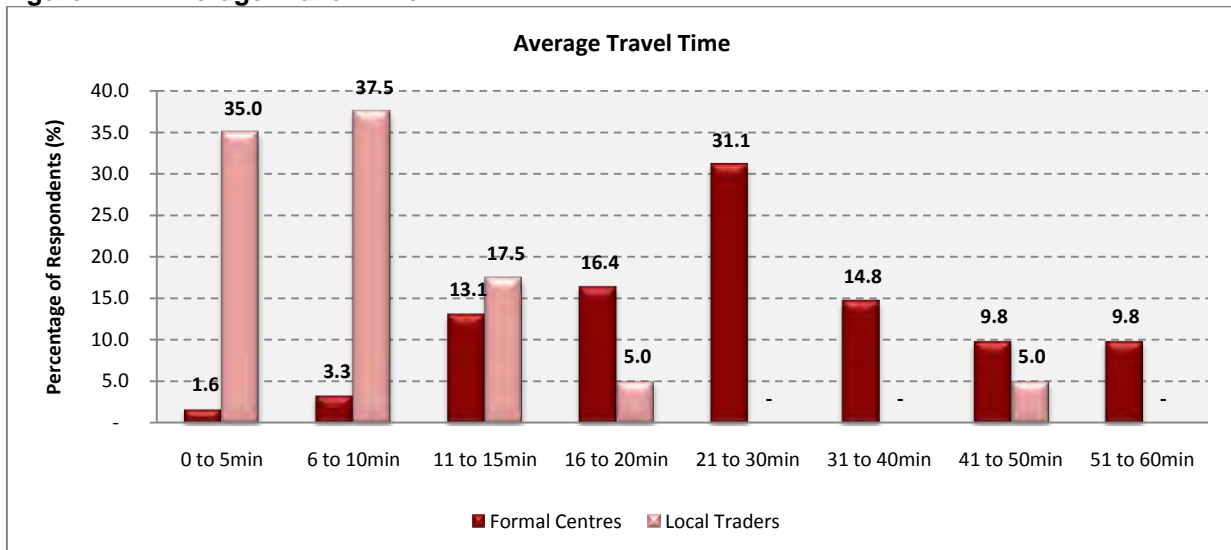
Source: Demacon Household Surveys, 2009

Findings: (Figures 7.16 to 7.17)

✓ The majority of households indicated that they spentup to R15 for taxi/bus fares to the formal retail centres – 63.8%. This is followed by a segment indicating transport fares of between R16 and R30 – 23.8%. A small segment indicated transport fares exceeding R30 – 2.5%. The average weighted transport fare to formal retail centres amounted to **R14.5.**

✓ Similar trends were observed with reference to travel fares to local traders – except for a larger segment reflecting travel costs between R21 and R30 – 20.0%. The average weighted transport fare to local traders amounted to **R12.80.**

✓ In terms of the average travel time the majority of respondents indicated a travel time of between 21 and 30 minutes to formal retail centres – 31.1%, a nearly proportional segments indicated travel times between 11 and 20 minutes (29.5%) and longer travel times between 30 and 60 minutes (34.4%). The weighted average travel time to formal retail centres amounted to **28.1 minutes**[69].

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[69] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weighted, and then adding the results.
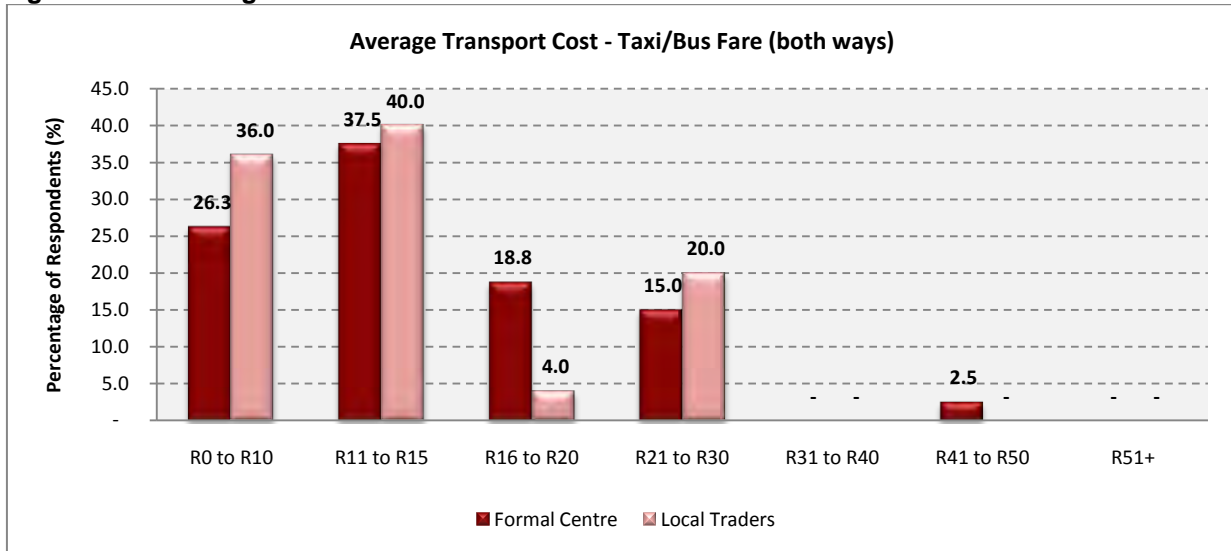
✓ The majority of respondents indicated that they travel for fewer than 10 minutes to local traders (72.5%), this is followed by 22.5% of respondents indicating travel times between 11 and 20 minutes to local traders. The weighted average travel time to local traders amounted to **9.3 minutes**.

7.4.3 CURRENT CONSUMER BEHAVIOUR

Subsequent paragraphs reflect current consumer behaviour trends after the development of Central City. They focuses on the impact that the development of the centre had on their consumer behaviour, retail destination, percentage of shopping now done outside the local area, the impact on their retail expenditure, monthly retail expenditure, monthly retail expenditure at Central City, the type of commodities purchased at the centre, an indication of commodities not available at the centre, changes in support for other areas, the impact of the development of the centre on support for local traders, average transport cost and travelling time, impact of transport costs on retail trips outside the area.

Figure 7.18: Impact of Central City on Consumer Behaviour
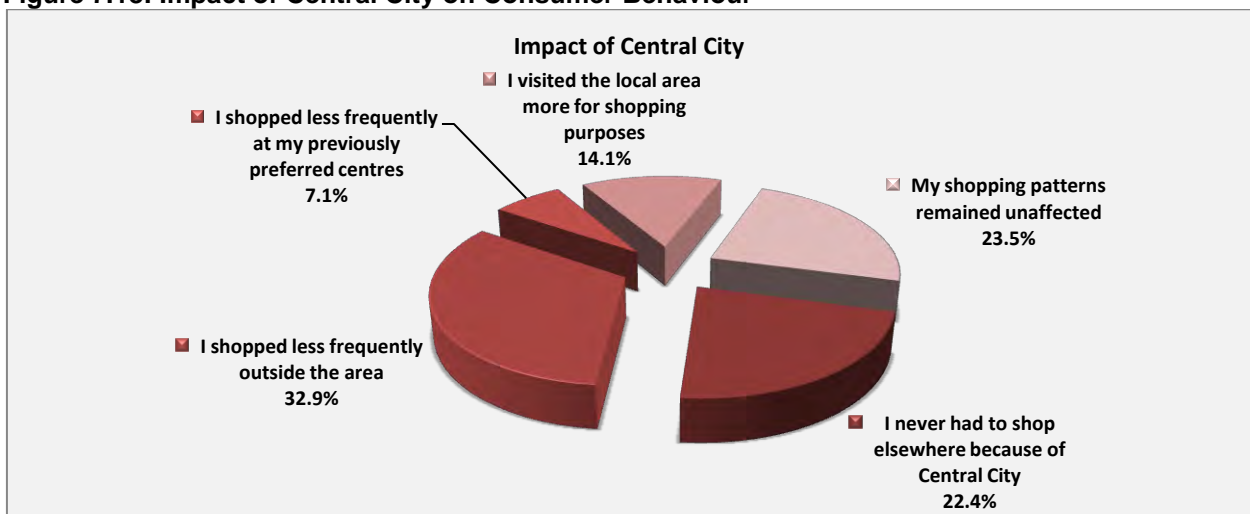
Source: Demacon Household Surveys, 2009

Figure 7.19: Retail Location After Central City Development
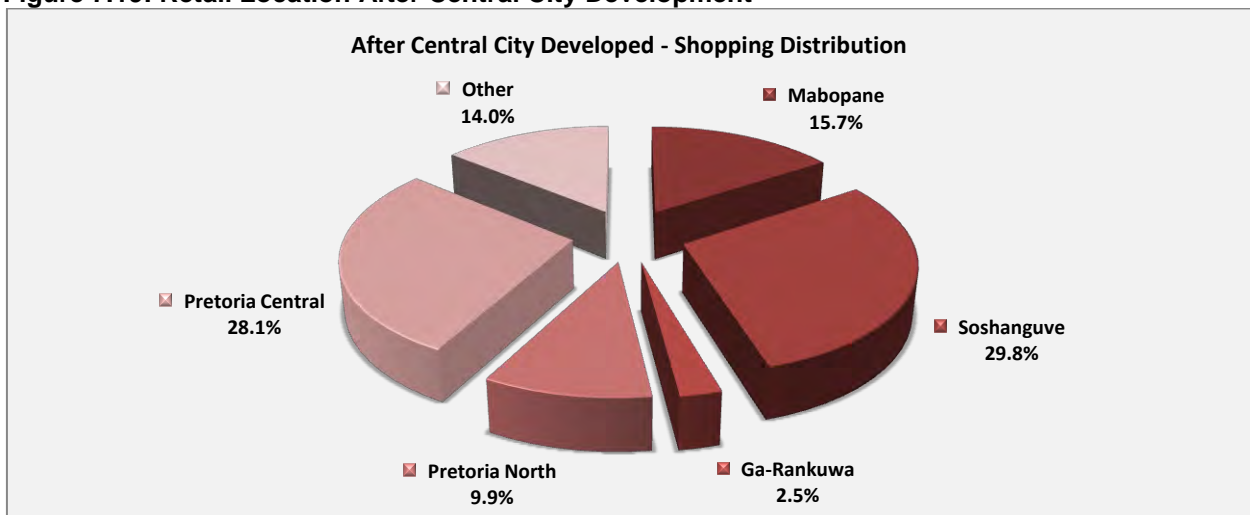
Source: Demacon Household Surveys, 2009

Figure 7.20: After Central City – Percentage of Shopping Outside Local Area

After Central City Developed, % of Shopping Conducted Outside Local Area

Percentage (%)

Band	Value
91-100%	10.3
81-90%	4.4
71-80%	8.8
61-70%	7.4
51-60%	11.8
41-50%	8.8
31-40%	8.8
21-30%	8.8
16-20%	13.2
10-15%	5.9
6-9%	7.4
0-5%	4.4

Percentage of Respondents (%)
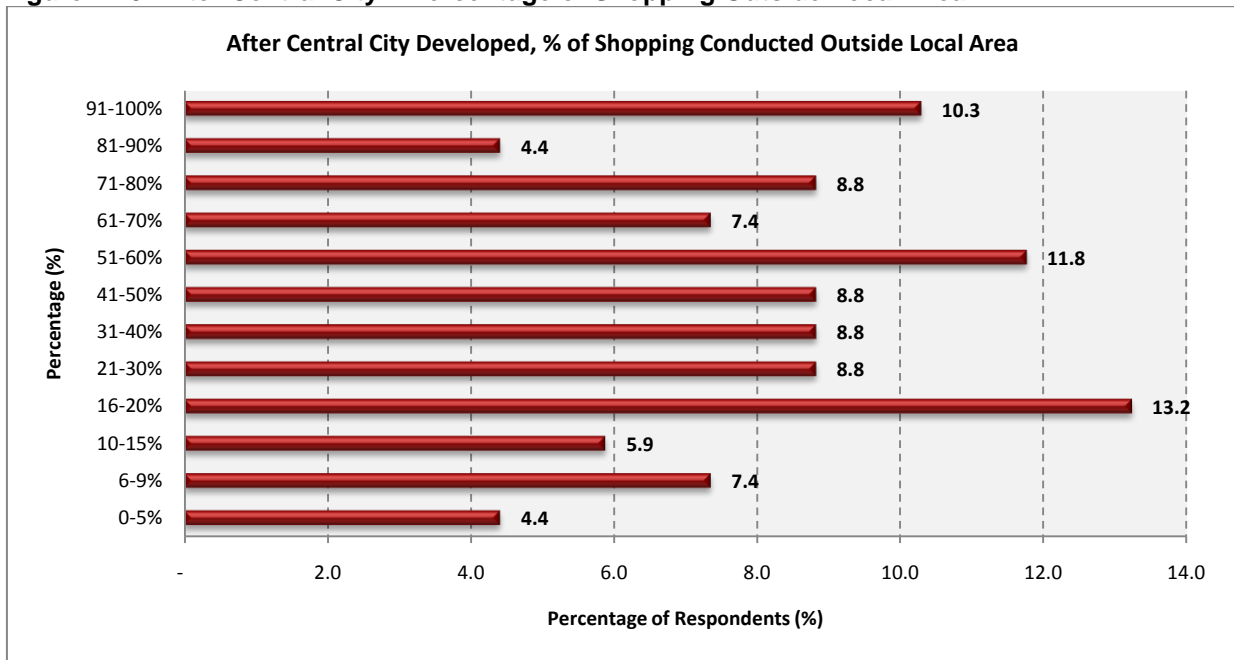
Source: Demacon Household Surveys, 2009

Figure 7.21: Impact of Central City on Local Retail Expenditure

Impact Central City on local retail expenditure

- Drastic Increase 20.3%
- Remained unaffected 33.3%
- Slight Increase 46.4%
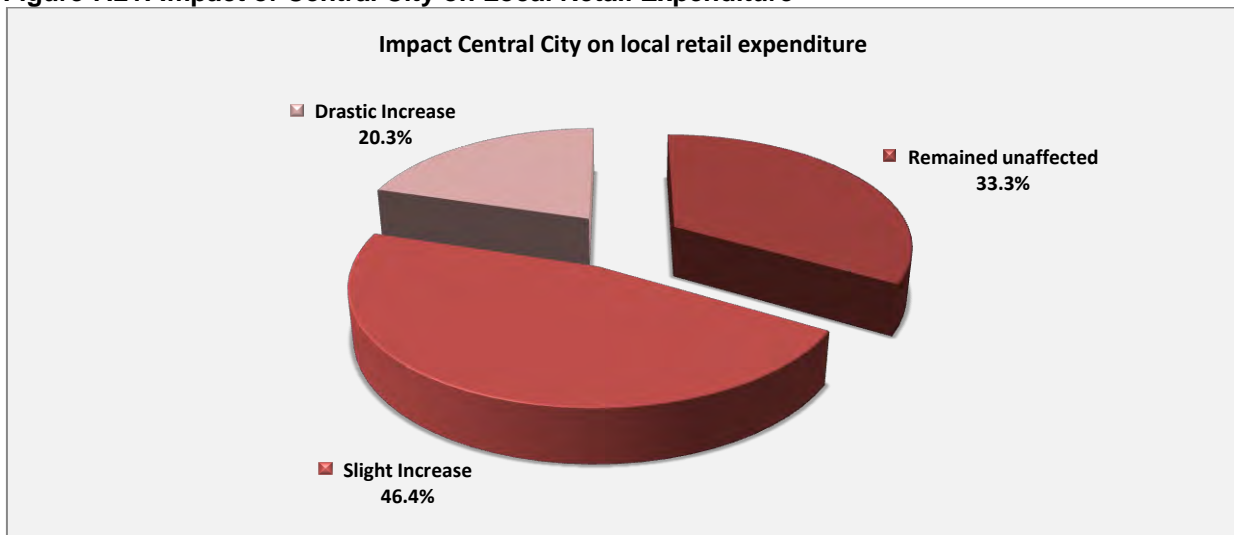
Source: Demacon Household Surveys, 2009

Findings: (Figures 7.18 to 7.30)

✓ The development of Central City had a positive impact on consumer behaviour – 32.9% indicated that they now shop less frequently outside of their area, 22.4% indicated that they never have to shop elsewhere, 14.1% visit the area more for shopping purposes and 7.1% indicated that they shop less at their previously preferred retail centres. A moderate segment of 23.5% of respondents indicated that their shopping patterns have remained unaffected. This reflects moderate levels of consumer elasticity in the market.

✓ The development of Central City has also had a positive impact on respondents shopping locations – 29.8% Soshanguve, 28.1% Pretoria Central, 15.7% Mabopane, 14.0% other areas (Karen Park, Silverton, Menlyn, Marabastad, Montana, Faerie Glen), 9.9% Pretoria North and 2.5% Ga-Rankuwa.

- ✓ After the development of Central City, the percentage of shopping conducted outside of the local area declined to a weighted average[70] of **44.7%.**
- ✓ The development of Central Cityhad a **slight impact** on local retail expenditure **(46.4%).**
- ✓ A relatively large segment of respondents indicated that the development of the mall had a drastic impact on local retail expenditure (20.3%), whereas 33.3% of respondents indicated that the development of the mall had no impact on their local retail expenditure.
- ✓ The largest segment of households indicated that they spend between R751 and R1 800 on monthly shopping – 68.2%, this is followed by 21.2% of households indicating amounts higher than R1 800 up to R5 000 a month and a mere 10.6% reflecting amounts below R751. The average weighted amount spent on shopping is **R1 338.00**.
- ✓ The majority of respondents also indicated that they spend between R300 and R500 per month at Central City – 28.8%, followed by 40.4% indicating that they spend between R500 and R1 200 per month at Central City, 17.3% spent more than R1 200 per month and a mere 3.8% of households indicated that they spend less than R500 per month at Central City. The average weighted monthly amount spent at Central City is **R936.6.**
- ✓ In terms of the types of commoditiespurchased at Central City the following categories prevail: top-up groceries, monthly groceries, clothing and shoes, furniture and homeware, restaurants, speciality goods, hardware and gifts.
- ✓ In terms of the type of commodities not available at Central City, the following categories prevail: entertainment, services, restaurants and clothing stores.
- ✓ Respondents also indicated their preferred retail centres after the development of Central City: Wonderpark (27.9%), Central City (27.0%), Northpark Mall (9.9%), Pretoria CBD (9.0%) and to a lesser extent, Soshanguve Centre, Marula Plaza, Menlyn Park, Wonderboom Plaza, Kolonnade Centre, Sammy Marks, Thorntree Centre, Brooklyn Mall, Ga-Rankuwa Centre, Marabastad, Woodmead and Montana Crossing.
- ✓ 71.4% of the respondents indicated that they still support their previously preferred retail centres after the development of Central City
- ✓ The dominant reasons for respondents' continued support towards previously preferred retail centres are: high levels of convenience, less congestion, greater proximity to home, greater variety, less crime, more public transport, more accessible and more affordable.
- ✓ Since the development of Central City, the majority of respondents conduct between 0% and 10% of shopping at local traders – 58.9%, 13.6% conduct between 11% and 30% of shopping at local traders, 13.6% conduct between 31% and 50% of shopping at local traders and 16.9% of respondents indicated that they conduct more than 50% of shopping at local traders. The weighted average[71] support of local traders amount to **24.3%.** This is an interesting trend that can be ascribed to the fact that provision is made for informal traders as part of the parking area of the centre.
- ✓ Overall, the development of Central City has mostly resulted in a decline in support for local traders **(58.5%).**
- ✓ However, a large segment of respondents indicated that their support for local traders **remained unaffected (30.2%)** by the development of the mall, whereas a small segment indicated an **increase** in support for local traders **(11.3%)**
- ✓ In terms of changes to the local trader environment the following were perceived:
 - • Slightly more than half of respondents indicated that everything remained the same – 50.3%;

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[70] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.
[71] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

- 32.0% indicated a movement of local businesses to the centre;
- 25.3% indicated a decline in informal traders;
- 18.0% local businesses closed down;
- 14.0% movement of local traders closer to centre;
- 11.0% local businesses moved closer to the centre.

Figure 7.22: Average Monthly Household Retail Expenditure
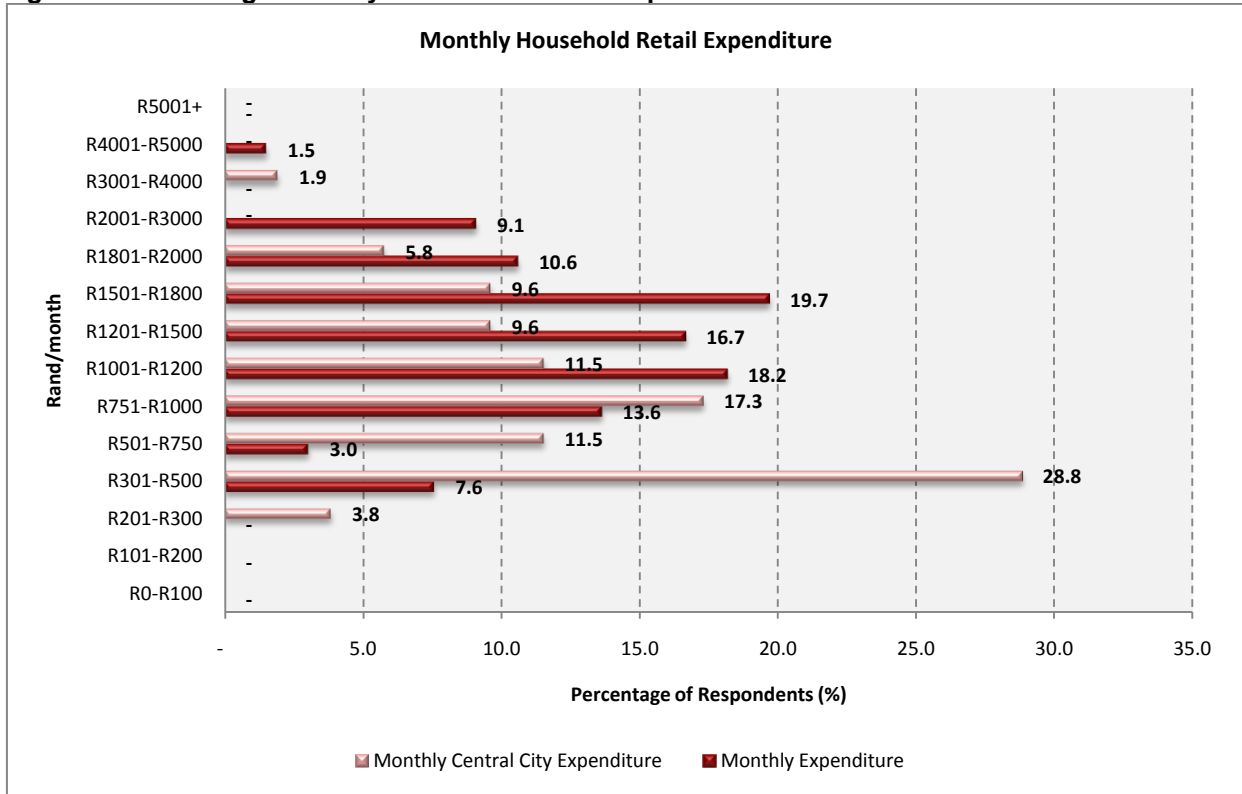
Source: Demacon Household Surveys, 2009

Figure 7.23: Type of Commodities Predominantly Purchased at Central City
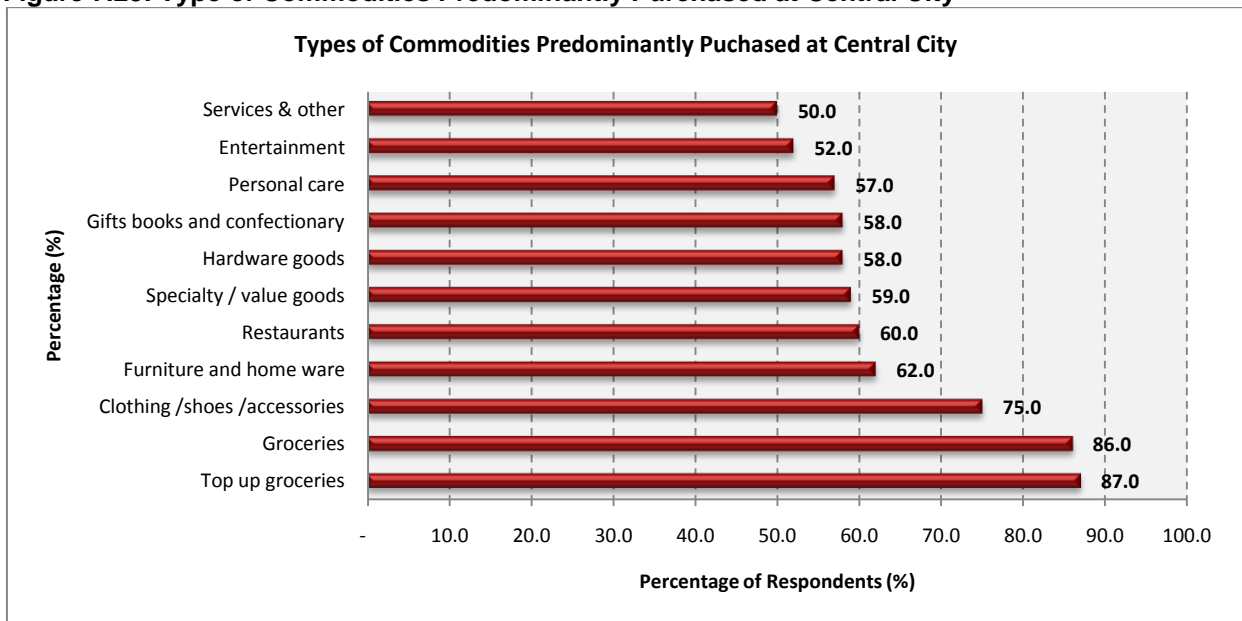
Source: Demacon Household Surveys, 2009

Figure 7.24: Types of Commodities Not Available at Central City
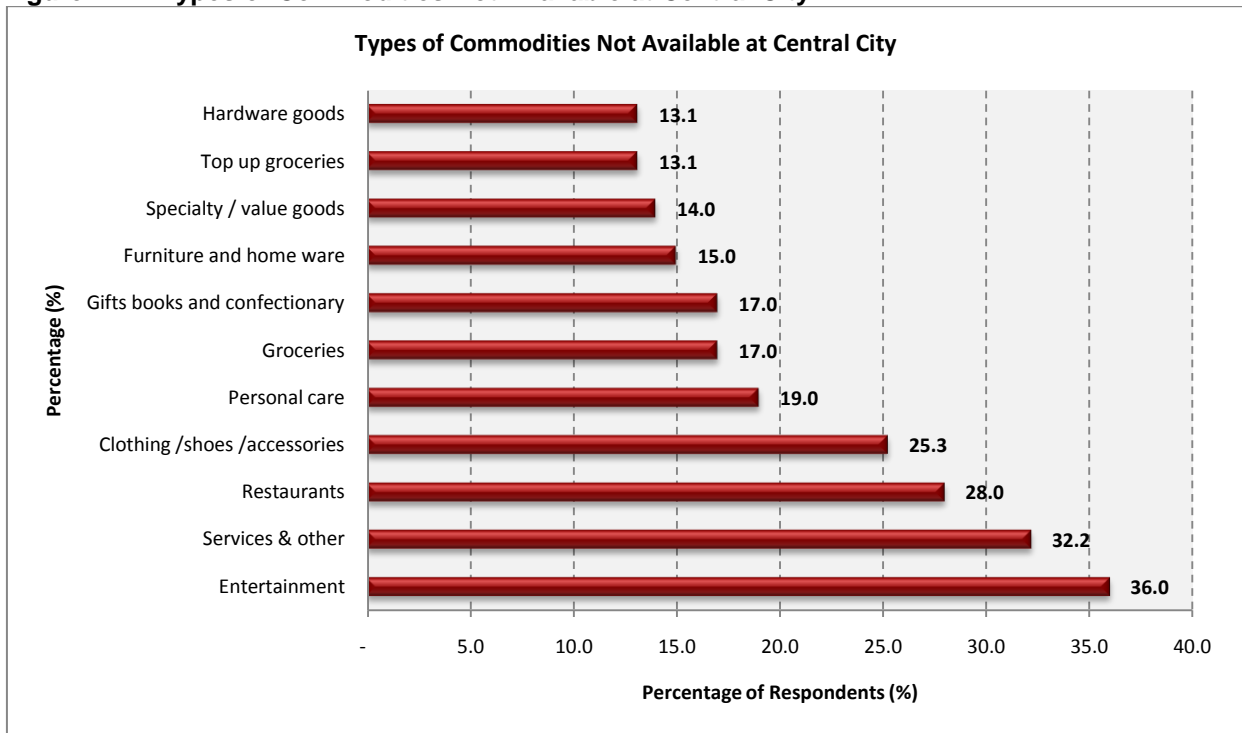
Source: Demacon Household Surveys, 2009

Figure 7.25: Preferred Retail Centres after Central City Development
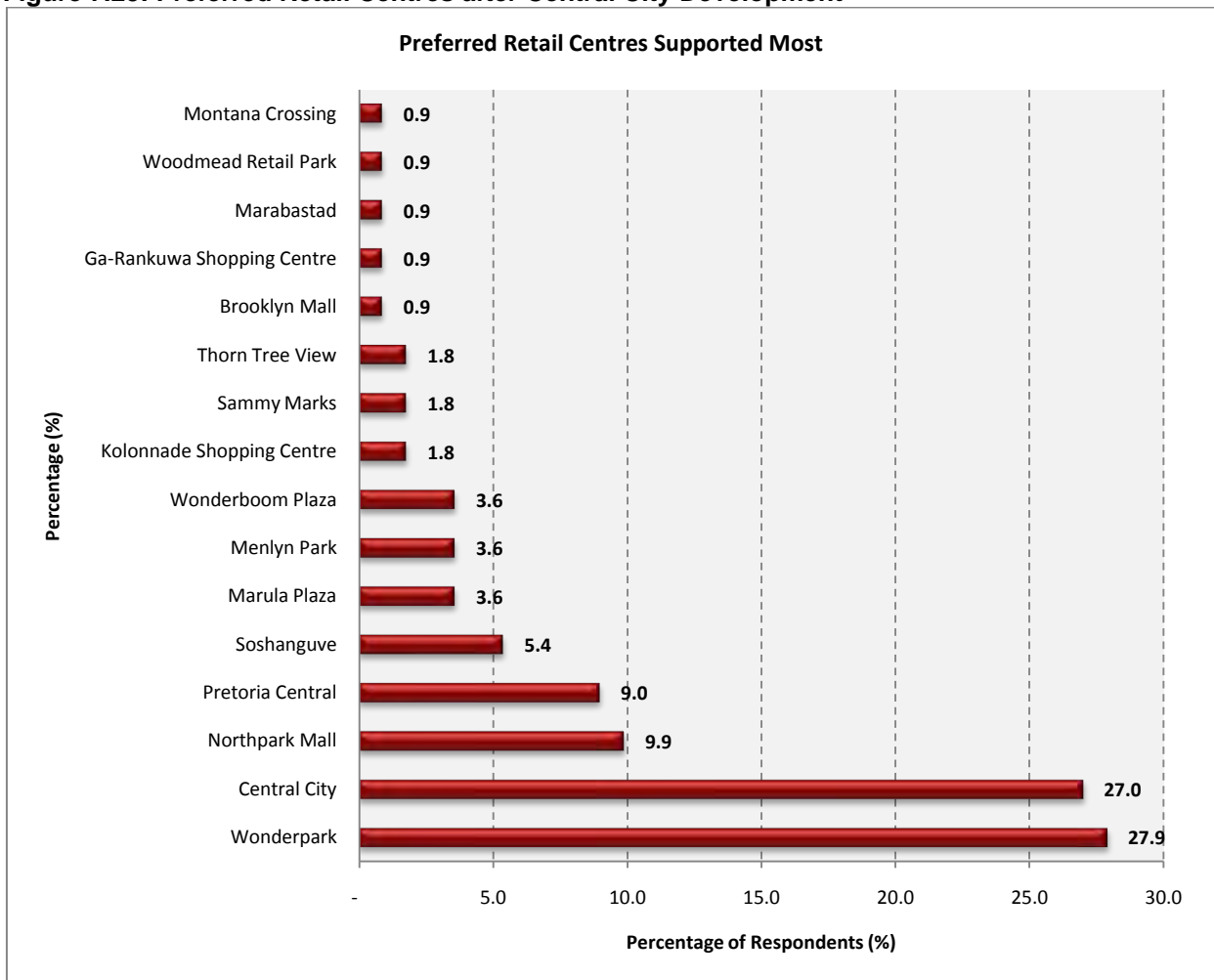
Source: Demacon Household Surveys, 2009

Figure 7.26: Since Development of Central City - Support of Previously Preferred Retail Centres
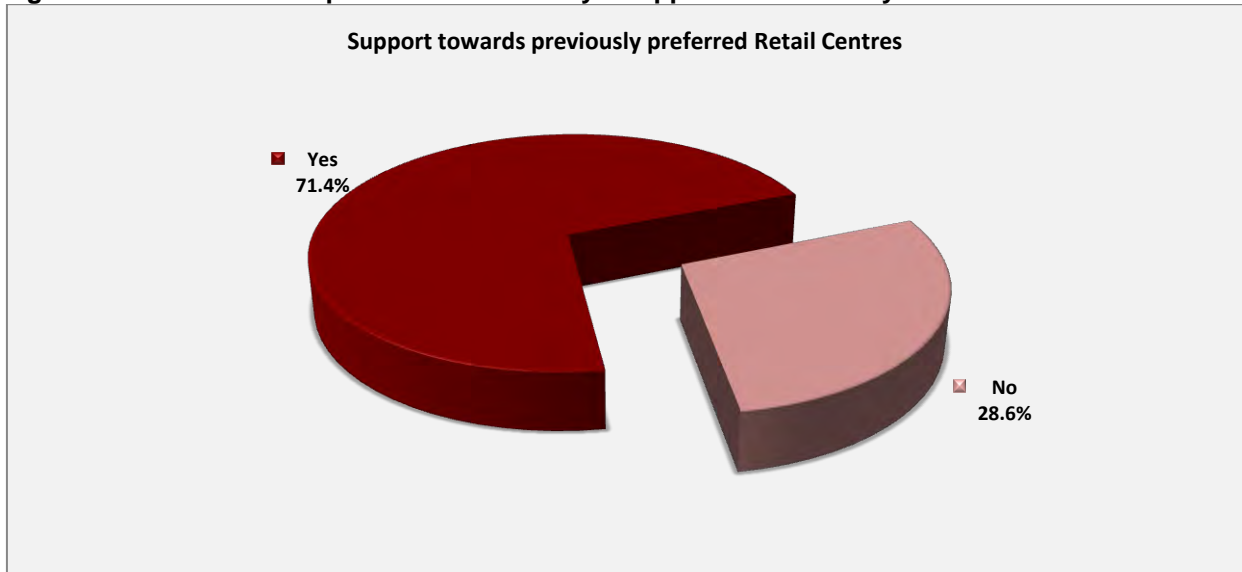
Source: Demacon Household Surveys, 2009

Figure 7.27: Reasons for Support For These Centres
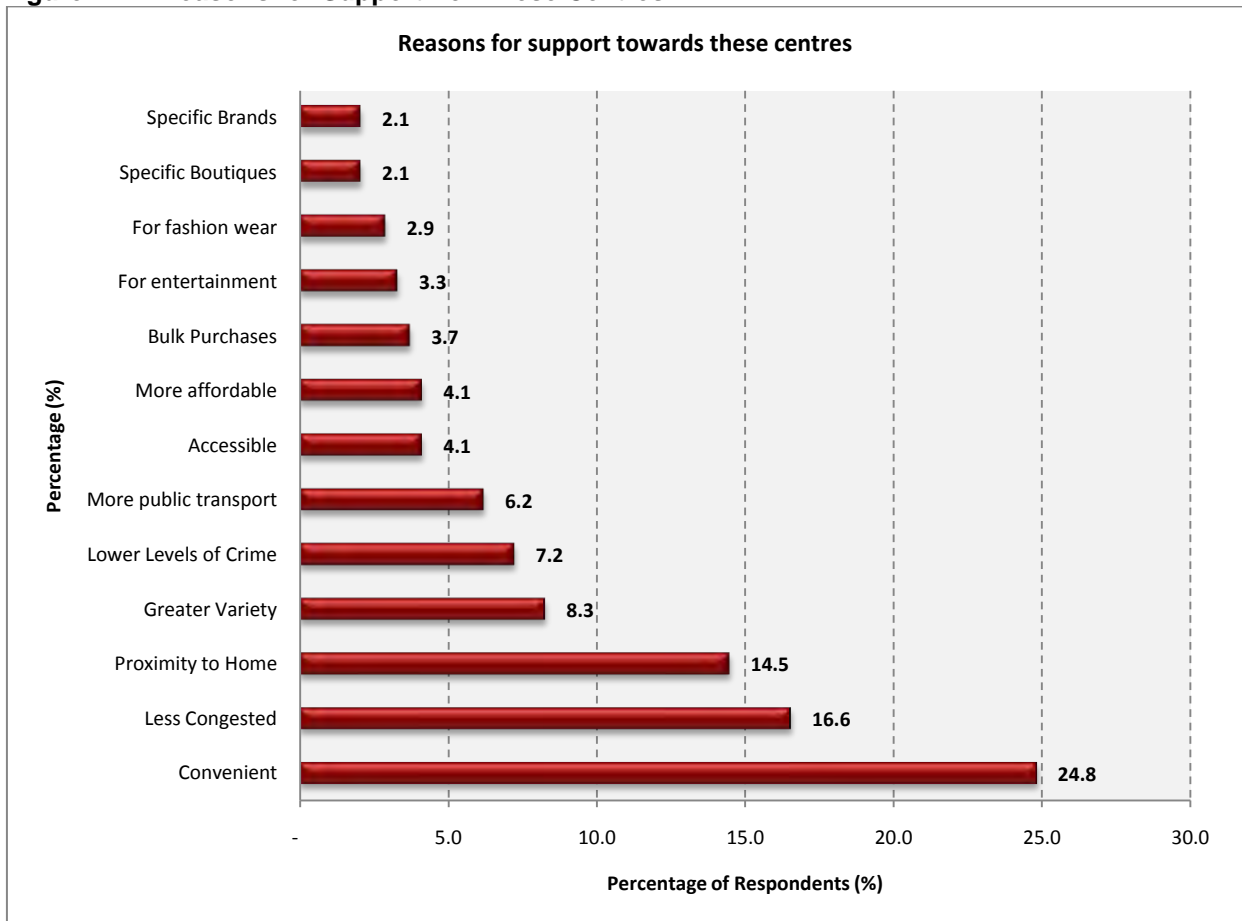
Source: Demacon Household Surveys, 2009

Figure 7.28: After Central City Development what Percentage of Shopping is conducted at Local Traders?
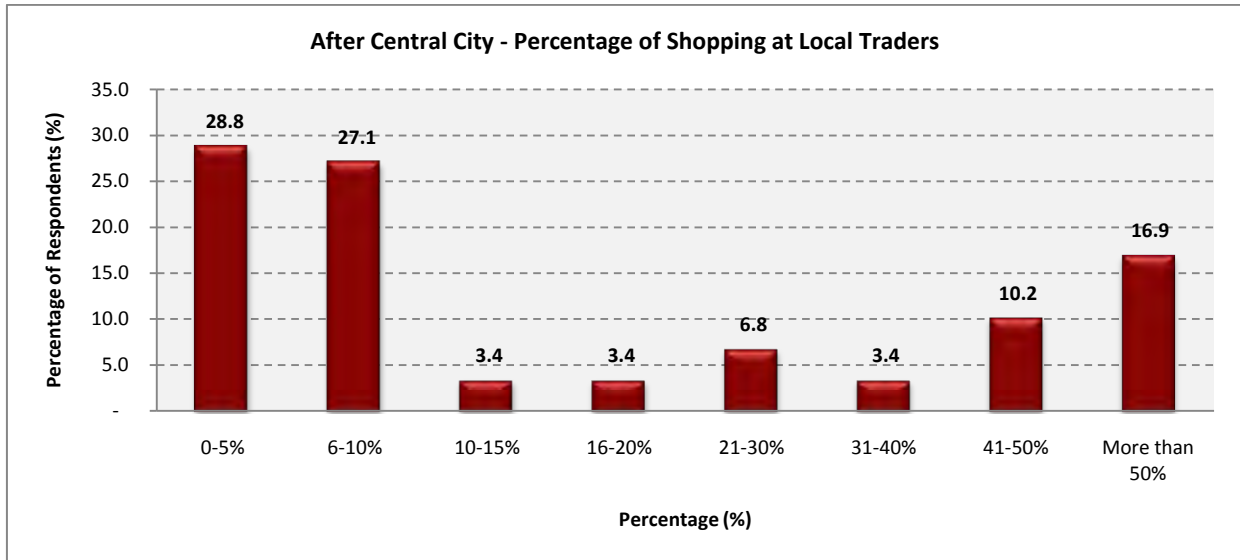
Source: Demacon Household Surveys, 2009

Figure 7.29: Impact of Central City on Local Trader Support
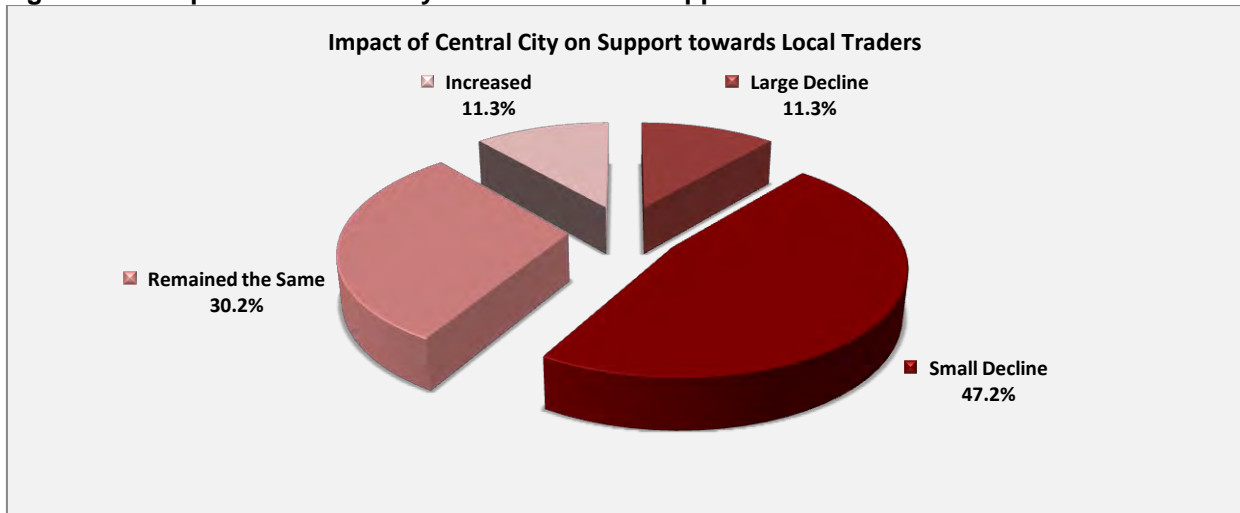
Source: Demacon Household Surveys, 2009

Figure 7.30: General Trends Pertaining to Local Traders After Development of Central City
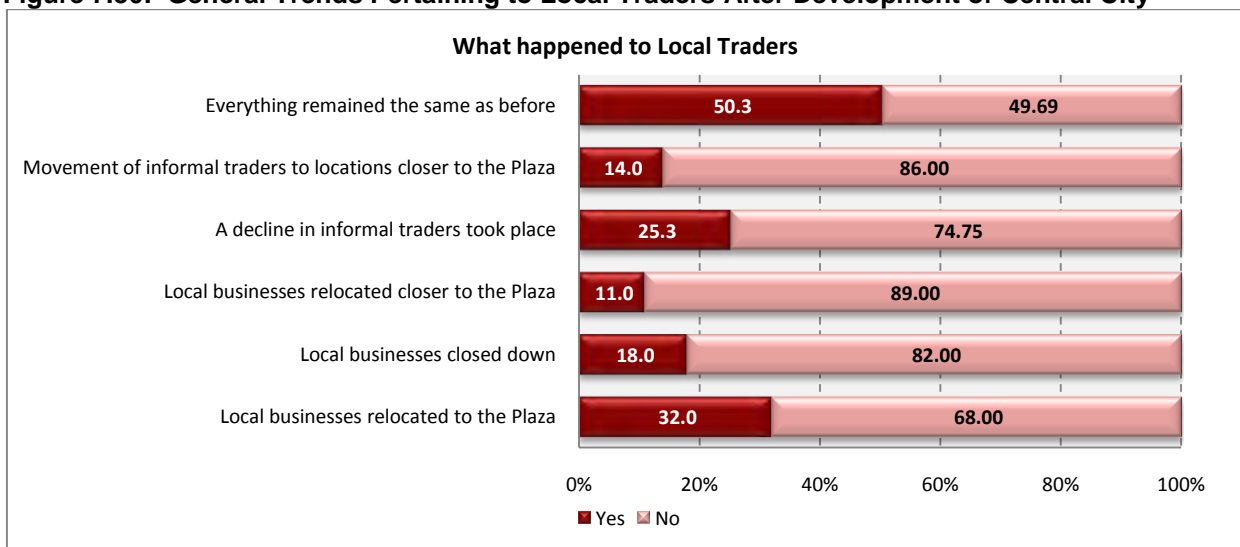
Source: Demacon Household Surveys, 2009

Figure 7.31: Average Taxi/Bus Fares
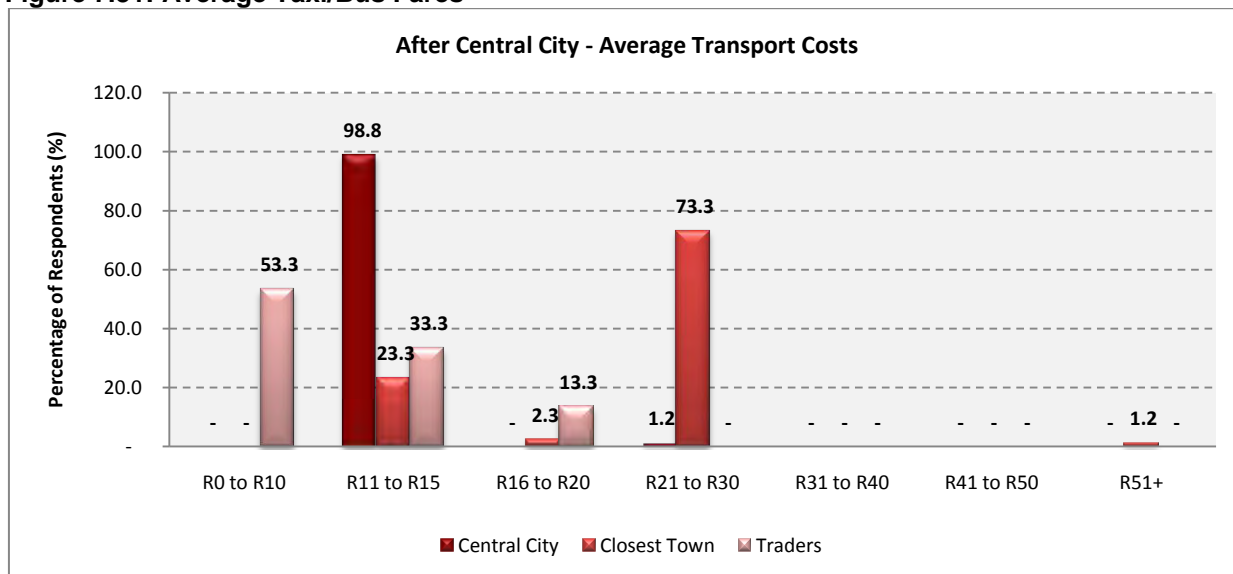
Source: Demacon Household Surveys, 2009

Figure 7.32: To what Extent Do Higher Transport Fares Deter You From Buying Outside the Local Area?
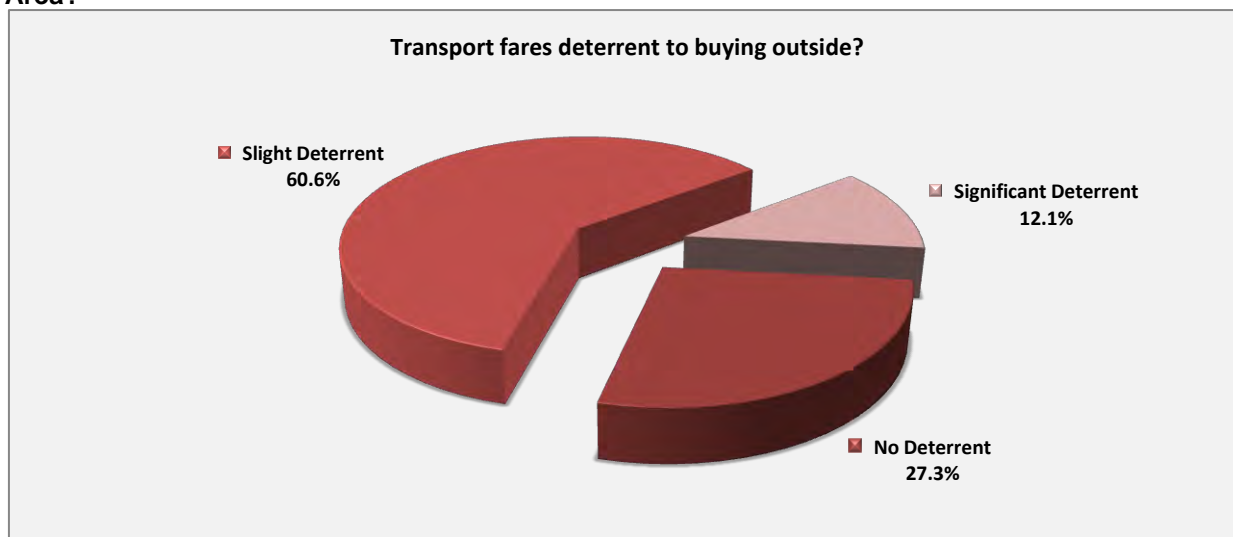
Source: Demacon Household Surveys, 2009

Findings: (Figures 7.31 to 7.33)

✓ In terms of the travel fares to Central City,the majority of respondents pay between R11 and R15 for a round trip – 98.8%, a mere 1.2% of respondents indicated that they pay between R21 and R30 for a round trip. The average weighted travel fare for a round trip to Central City amounts to **R13.1.**

It is important to note that the development of Central City had a positive impact onthe cost of transport to formal retail centres. Before Central City 36.3% of respondents paid more than R15 taxi / bus fares to reach a formal retail centre. Since the development of Central City this percentage declined to just 1.2%.

✓ In terms of travel fares to the closest town; the majority of respondents indicated that they pay between R21 and R30 for a round trip – 73.3%, followed by 25.6% indicating that they pay between R11 and R20. The average weighted fares for a round trip to the closest town amount to **R23.0.**

✓ In terms of travel fares to local traders; the majority of respondents indicated that they pay less than R10 for a round trip – 53.3%, followed by 33.3% indicating that they pay between

R11 and R15 and 13.3% paying between R16 and R20. The average weighted travel fares to local traders amount to **R9.4.**

✓ The majority of respondents indicated that transport fares represent a slight deterrent to their shopping outside of the local area – **60.6%.** A segment of 27.3% indicated that they do not represent a deterrent at all and 12.1% indicated that they represents significant deterrent to retail expenditure beyond the local area.

✓ The majority of respondents indicated that for transport fares of less than R10 for a round trip they would support shopping outside the area – 53.8%. This is followed by 24.5% of respondents indicating an amount between R11 and R20 and 18.9% indicating amounts between R21 and R40. The average weighted transport fares promoting shopping outside the area amount to **R12.33** for a round trip.

Overall, it is evident that transport fares in themselves do not represent a dominant determining factor as to whether people will conduct retail expenditure outside of the local area. Increased transport costs of 10% will not necessarily result in a 10% increase in local retail expenditure. In general consumers are willing to pay higher transport fares to reach larger centres such as a CBD with a wider product offering. Say, for example, they are willing to pay R10 to reach a larger retail centre (double the transport fares to a closer smaller retail centre), however, they will reconsider this retail location preference if the transport fare escalates to R30 for a round trip. Overall, it is therefore evident that transport fares do not represent the dominant retail location factor, but that local product offering and critical mass are more important.

Figure 7.33: Transport Fares That Would Support Shopping Outside the Area

Transport Costs that will still support shopping outside the local area

Category	Value
R50 and more (total both ways)	1.9
R41 to R50 (total both ways)	-
R31-R40 (total both ways)	3.8
R21-R30 (total both ways)	15.1
R11-R20 (total both ways)	24.5
R6 to R10 (total both ways)	35.8
R5 or less (total both ways)	18.9

Percentage of Respondents (%)
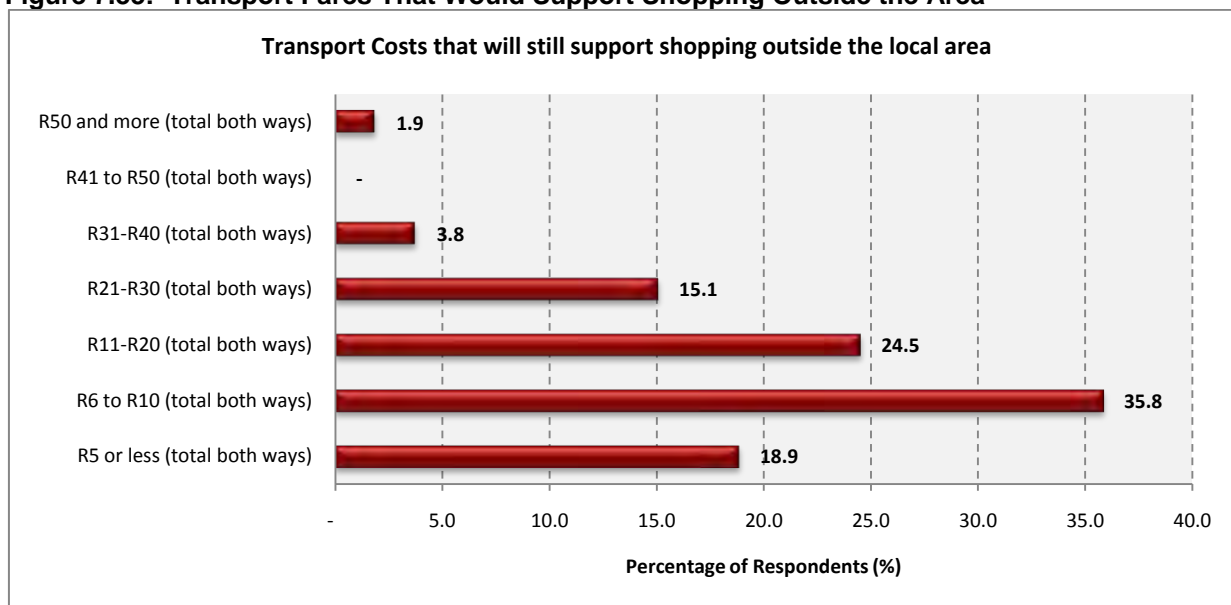
Source: Demacon Household Surveys, 2009

Findings: (Figure 7.34)

✓ The average travel time to Central City – the largest segment of respondents indicated travel times of between 11 and 15 minutes – 42.9%, followed by six to 10minutes (34.5%) and 16 to 20 minutes (11.9%). The average weighted travel time to Central City amount to **12.5 minutes**.

It is important to note that the development of Central City had a positive impact on travel times to formal retail centres. Before Central City a mere 18.0% of respondents travelled for fewer than 15 minutes to a formal retail centre. Since the development of Central City this percentage has increased to a total of 82.2%.

✓ The majority of respondents indicated average travel times of 41 minutes and longer to the closest town – 38.5%, this is followed by 35.5% indicating travel times between 21 minutes and 40 minutes, and 17.8% indicated travel times of fewer than 20 minutes. The average weighted travel time to reach the closest town amount to **33.6 minutes.**

✓ The majority of respondents indicate average travel times shorter than five minutes to reach local traders – 59.3%, this is followed by 22.2% indicating travel times of between six and 10 minutes and 9.3% indicating travel times between 11 and 20minutes. The average weighted travel time amounts to **7.6 minutes**.

Figure 7.34: Average Travel Time
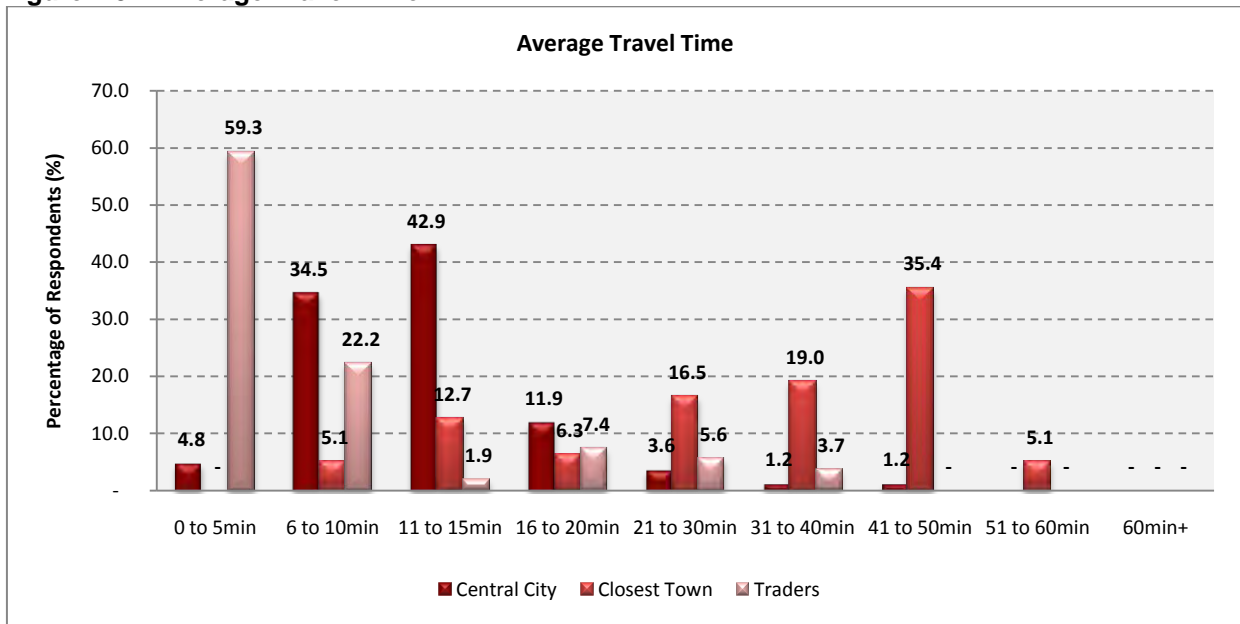
Source: Demacon Household Surveys, 2009

7.4.4   FREQUENCY OF VISITS AND DWELL TIME

Subsequent paragraphs provide information as to the changes in visits to Central City over the past year, the main purpose of visits to Central City, the time preferred to conduct shopping and entertainment and average dwell time on a typical visit.

Figure 7.35: Changes to Visits Over Past Year
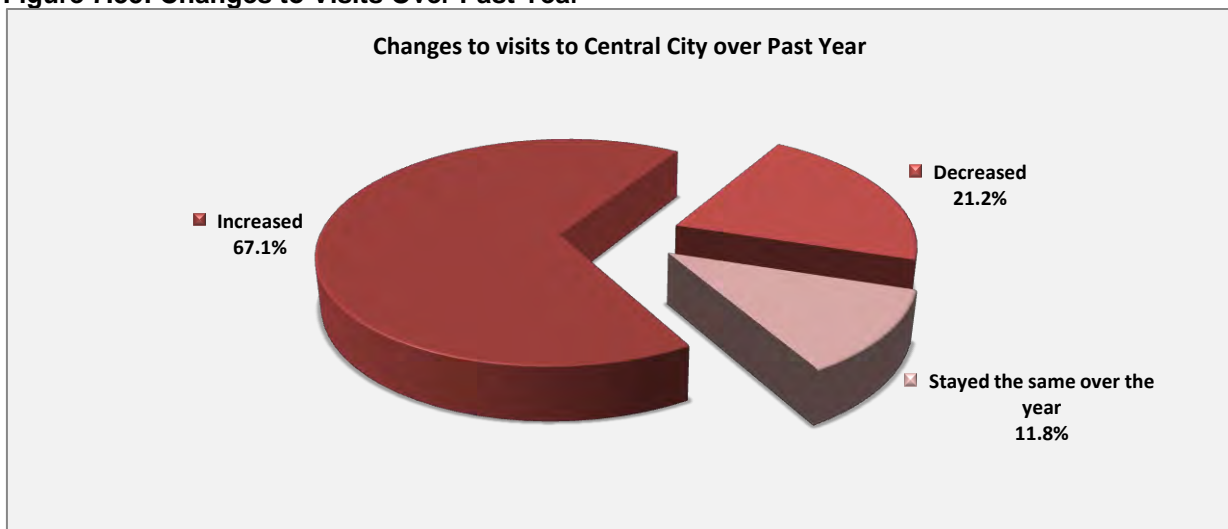
Source: Demacon Household Surveys, 2009

Figure 7.36: Main Purpose for Visiting Central City

Source: Demacon Household Surveys, 2009

Figure 7.37: Preferred Time of the Day
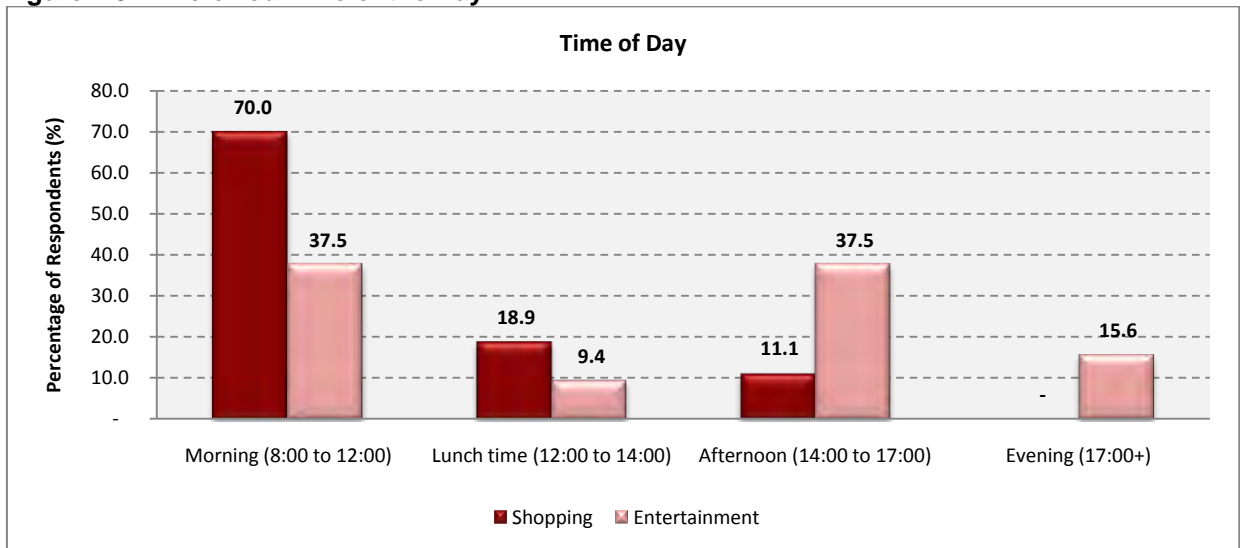
Source: Demacon Household Surveys, 2009

Figure 7.38: Average Dwell Time on Typical Visit
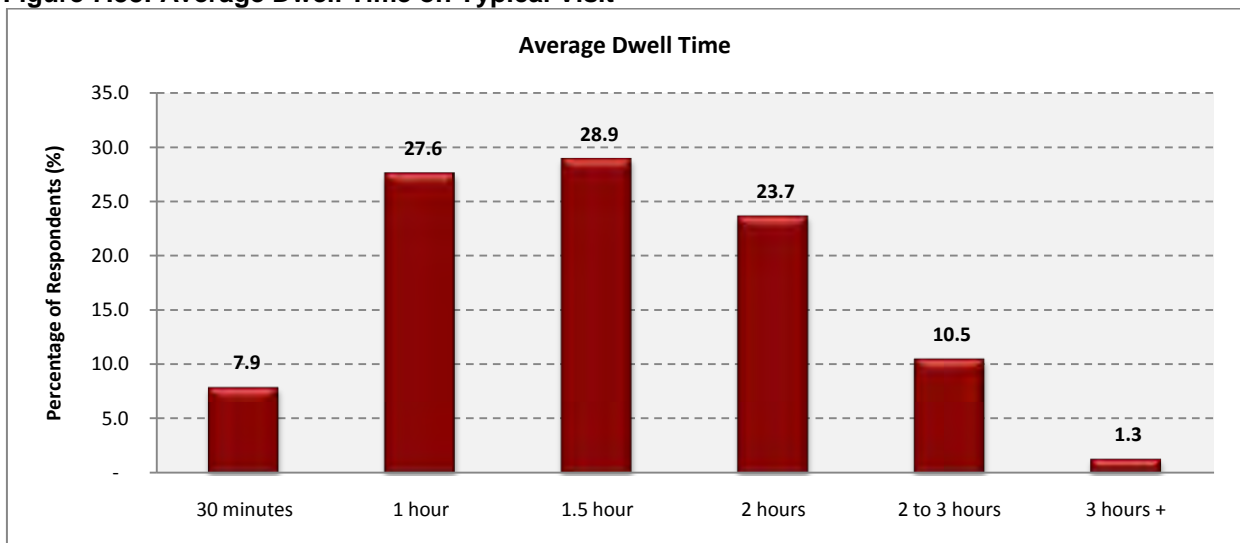
Source: Demacon Household Surveys, 2009

Findings: (Figures 7.35 to 7.38)

✓ The majority of respondents indicated that their visits to Central City have **increased** over the past year – **67.1%,** 11.8% indicated that their visits remained the same and 21.2% indicated that their number of visits <u>declined</u>.

✓ The main purpose for visiting Central City is for visits to specific shops – 33.2%, followed by general shopping (23.0%), banking and financial services (19.9%) and restaurants (14.8%).

✓ The preferred time of the day to shop at the centre is during the morning (70.0%) and over lunch time (18.9%); a small segment of 11.1% indicated a preference for shopping during the afternoon.

✓ The preferred time of the day to visit the centre for entertainment is in the morning (37.5%) and afternoon (37.5%).

✓ The average dwell time is mostly between one and two hours – 80.2%.

7.4.5 SATISFACTION WITH CENTRAL CITY

Subsequent paragraphs rate the overall level of satisfaction in terms of a list of centre aspects, supported by an indication of aspects that should be addressed to attract more consumers. They also reflect the provision made for informal trade.

Figure 7.39: Overall Level of Satisfaction With Central City
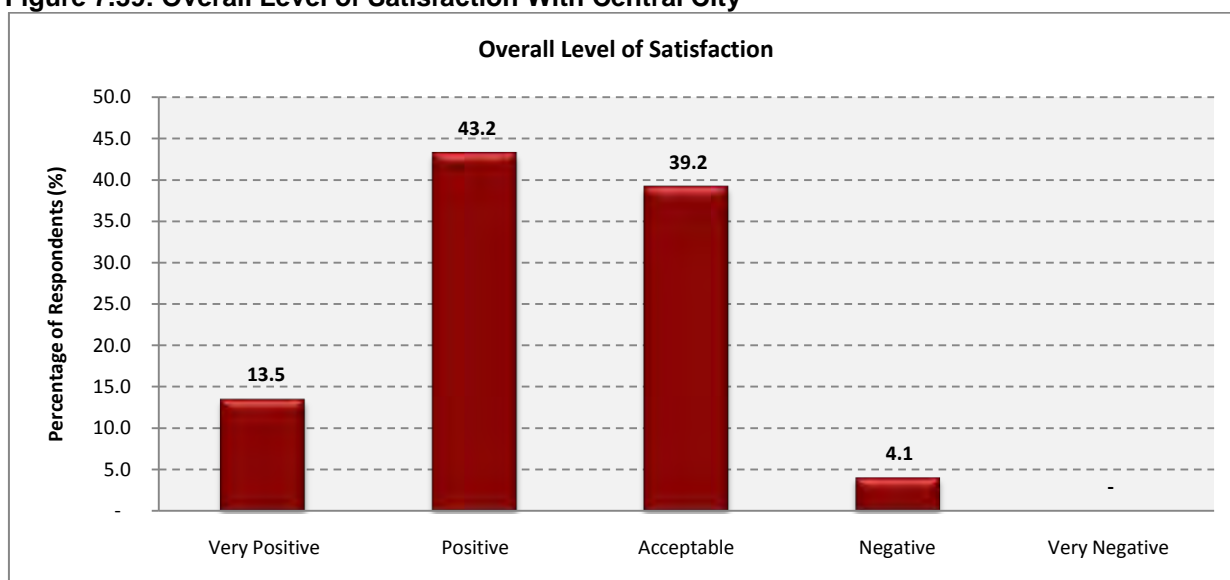
Source: Demacon Household Surveys, 2009

The majority of respondents indicated that they are satisfied (43.2%) with Central City, 39.2% rated the centre as acceptable, and 13.5% indicated that they are more than satisfied with the centre. Only 4.1% indicated that they are not satisfied with the centre.

Table 7.6: Rating of Central City Elements

	Rating					Total
	1	**2**	**3**	**4**	**5**	
TENANT MIX						
Overall image of the centre	1.1	13.3	18.9	**33.3**	**33.3**	100.0
Variety of stores	1.3	10.0	31.3	**45.0**	12.5	100.0
Presence of local stores/tenants	-	5.1	35.4	**44.3**	15.2	100.0
Presence of national tenants	-	5.4	31.1	**41.9**	21.6	100.0
Location of stores in relation to each other	-	9.1	**40.3**	36.4	14.3	100.0
Clothing store selection and availability	-	8.0	38.7	**40.0**	13.3	100.0
Convenience services selection and availability	-	9.1	**42.9**	33.8	14.3	100.0
Books / cards / stationery shop selection and availability	1.3	7.9	**43.4**	34.2	13.2	100.0
Entertainment and restaurant selection and availability	6.5	10.4	**37.7**	35.1	10.4	100.0
Health and beauty selection and availability	2.6	10.4	**42.9**	36.4	7.8	100.0

	Rating					Total
	1	**2**	**3**	**4**	**5**	
Home furnishing and furniture selection and availability	-	9.1	**45.5**	37.7	7.8	100.0
Bank / ATM location and selection	2.7	10.7	**42.7**	36.0	8.0	100.0
Availability and selection of speciality shops	1.3	7.9	35.5	**39.5**	15.8	100.0
PARKING AND ACCESS						
Convenience of the centre's location within the area	1.4	8.7	29.0	**33.3**	27.5	100.0
Transport to the centre	2.6	5.1	**41.0**	20.5	30.8	100.0
Link to public transport – taxi/bus ranks	2.5	7.5	**40.0**	32.5	17.5	100.0
Accessibility of parking	1.3	3.8	36.7	**46.8**	11.4	100.0
Adequacy of parking	-	2.5	39.2	**48.1**	10.1	100.0
Ease of access to the entrance of the centre from parking	-	5.0	36.3	**38.8**	20.0	100.0
FACILITIES						
Adequacy / quality of bathroom facilities	2.3	12.6	19.5	**36.8**	28.7	100.0
Adequacy of disability facilities	-	8.9	26.6	**40.5**	24.1	100.0
Availability of information kiosks and staff	-	11.3	20.0	**47.5**	21.3	100.0
Sufficiency of lifts / escalators	1.2	11.0	20.7	**45.1**	22.0	100.0
Availability of mall layout plans and centre signage	1.3	9.1	22.1	**40.3**	27.3	100.0
CLEANING						
The overall cleanliness of the centre	2.2	10.1	13.5	27.0	**47.2**	100.0
MAINTENANCE						
The overall maintenance of the centre	3.6	7.1	15.5	29.8	**44.0**	100.0
SECURITY						
Safety in the shopping centre and parking area	5.6	10.0	17.8	28.9	**37.8**	100.0
LANDSCAPING AND AESTHETICS						
Overall design and features of the centre	3.8	3.8	21.8	30.8	**39.7**	100.0

Source: Demacon Household Surveys, 2009

Findings: (Table 7.6)

✓ It is evident that the majority of tenants are satisfied with the tenant mix of Central City. However, aspects that could be improved include the location of stores to each other, convenience services and availability, entertainment and restaurants, health and beauty selection, bank/ATM selection and location.

✓ The majority of respondents also rated the parking facilities as acceptable to good. Aspects that can be improved on include accessibility, adequacy and ease of access to the entrance of the centre from the parking areas.

✓ The majority of respondents rated the public facilities as good to excellent.

✓ The overall cleanliness, maintenance, landscaping and aesthetics of the mall are rated as excellent by the majority of respondents.

Findings: (Figures 7.40 and 7.41)

✓ The dominant perceived aspects that should be addressed include:
   • Improve centre security;
   • More open air facilities;
   • More restaurants and entertainment;
   • More affordable tenants;
   • Increase the size of the centre;
   • More parking.

✓ The majority of respondents also indicated that no provision is made for informal traders. However, 41.2% indicated that provision is made for informal traders.

Figure 7.40: Perceived Aspects That Should Be Addressed to Attract More Consumers
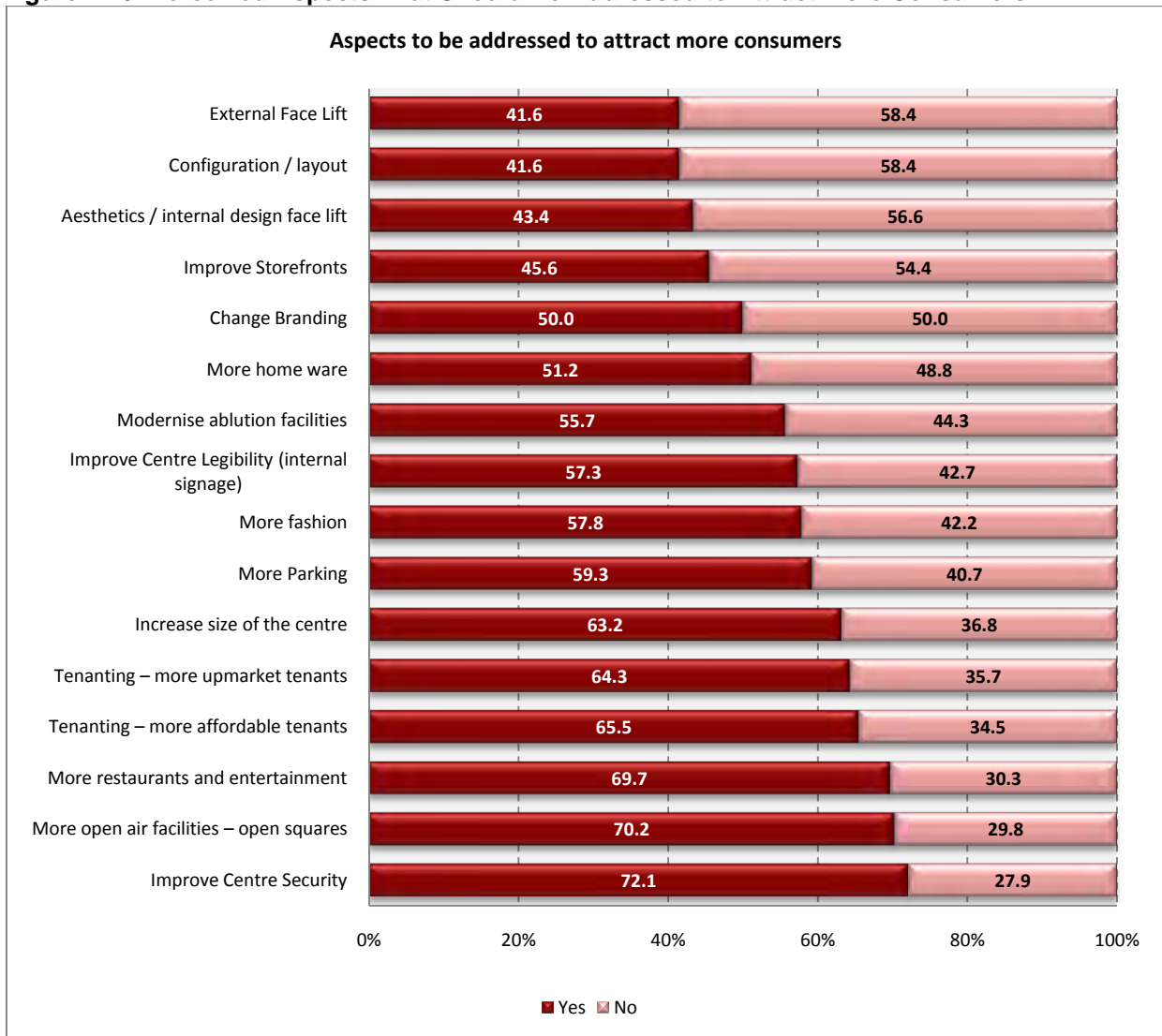
Source: Demacon Household Surveys, 2009

Figure 7.41: Provision Made for Informal Traders

Source: Demacon Household Surveys, 2009

7.4.6   NEED TO EXPAND CENTRAL CITY

Consumers indicated the perceived need to expand Central City, showing the primary emphasis of the extension.

Figure 7.42: Perceived Need to Expand Central City

Perceived Need to Expand Central City

Yes
77.6%

No
22.4%
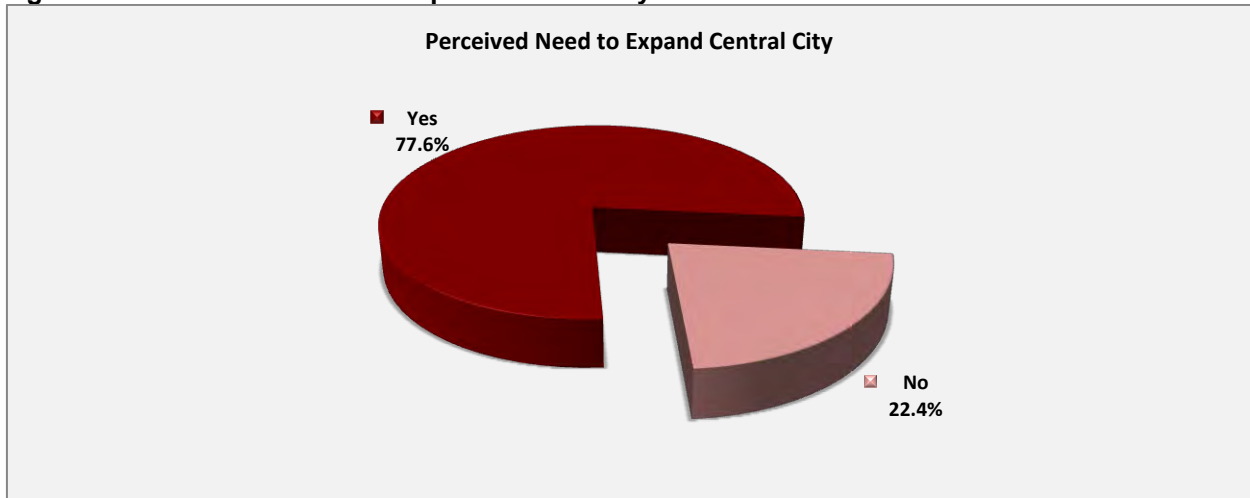
Source: Demacon Household Surveys, 2009

Figure 7.43: Preferred Primary Emphasis of Extension

Primary Emphasis of Extension

	Restaurants	Entertainment facilities	Convenience/food grocer	Financial services	Clothing stores	Health care	Home ware and decor	Speciality stores	Personal Care
Top	40.0	46.0	47.0	47.0	47.5	48.0	54.0	55.0	56.0
Bottom	60.0	54.0	53.0	53.0	52.5	52.0	46.0	45.0	44.0

Percentage of Respondents (%)
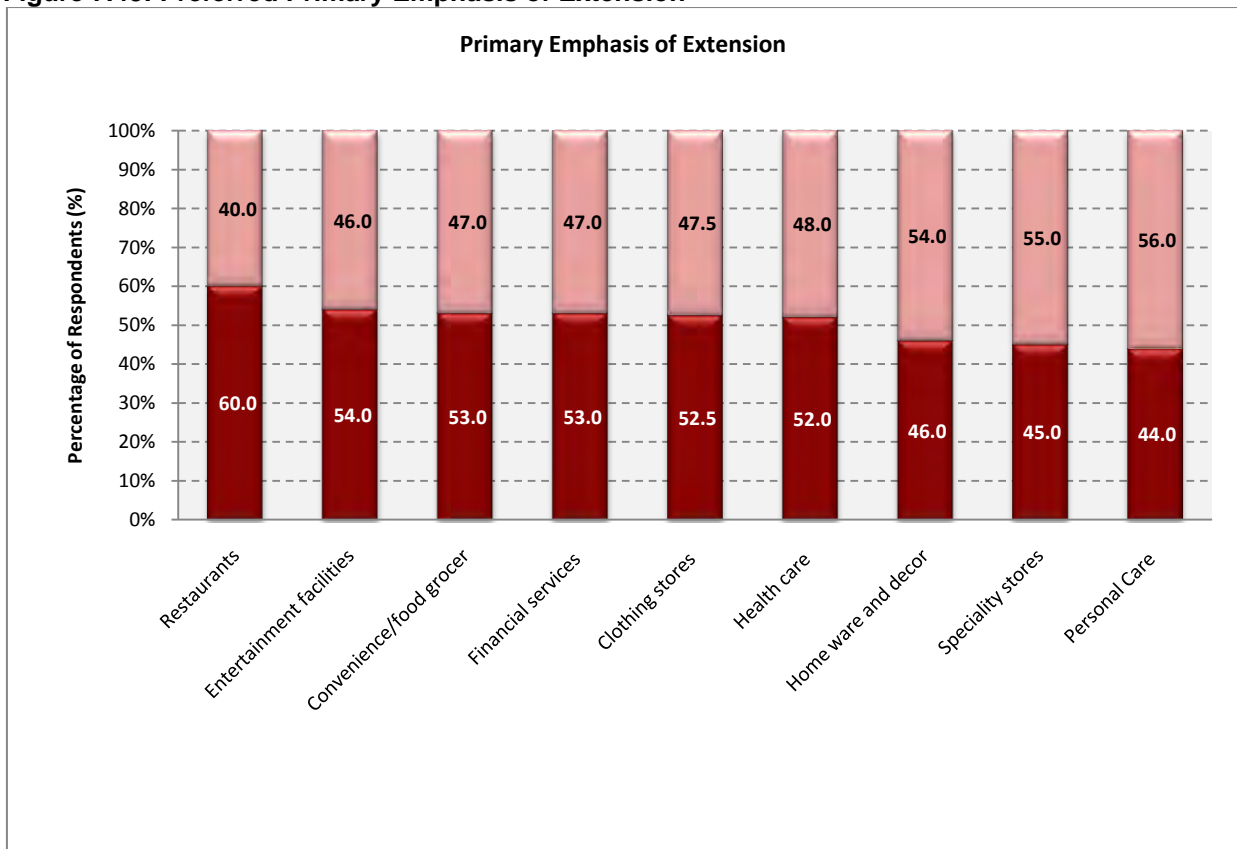
Source: Demacon Household Surveys, 2009

Findings: (Figures 7.42 and 7.43)

✓ The majority of respondents indicated a perceived need to extend Central City – **77.6%**
✓ The preferred primary emphasis of this extension should be on restaurants, entertainment, convenience/food grocer, financial services, clothing stores and health care.

7.4.7 OVERALL IMPACT OF CENTRAL CITY

Consumers gave feedback on the overall impact that the development of Central City had locally.

Figure 7.44: Overall Impact of Central City
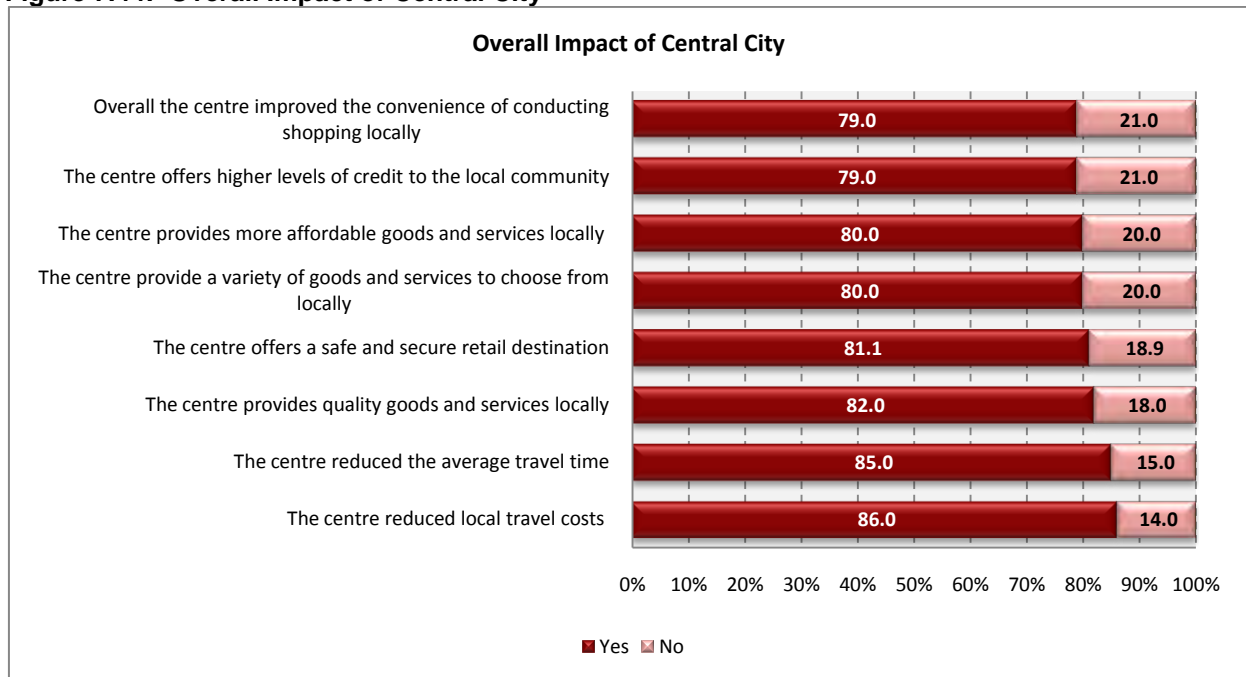
Source: Demacon Household Surveys, 2009

Findings: (Figure 7.44)

The development of Central City resulted in the following dominant impacts:

1. It reduced the average travel cost to retail centres;
2. It reduced the average travel time to retail centres;
3. It provides quality goods and services locally;
4. The centre offers a safe and secure retail destination;
5. The centre provides a variety of goods and services to choose from locally.

7.4.8 LIVING STANDARD AND AVERAGE ANNUAL INCOME

Consumers indicated changes that took place in their living standard over the past five to 10 years, supported by an indication of monthly household income and contributions from remittances and social grants.

These factors provide important base information regarding household income, sources of income and changes affecting the overall level of disposable income. Changes in these aspects generally have a direct impact on changes to living standards. These changes in living standards are therefore not directly linked to the development of Jabulani Mall, but also influenced by an array of factors listed below.

Figure 7.45: Changes in Living Standards – 5 to 10yrs
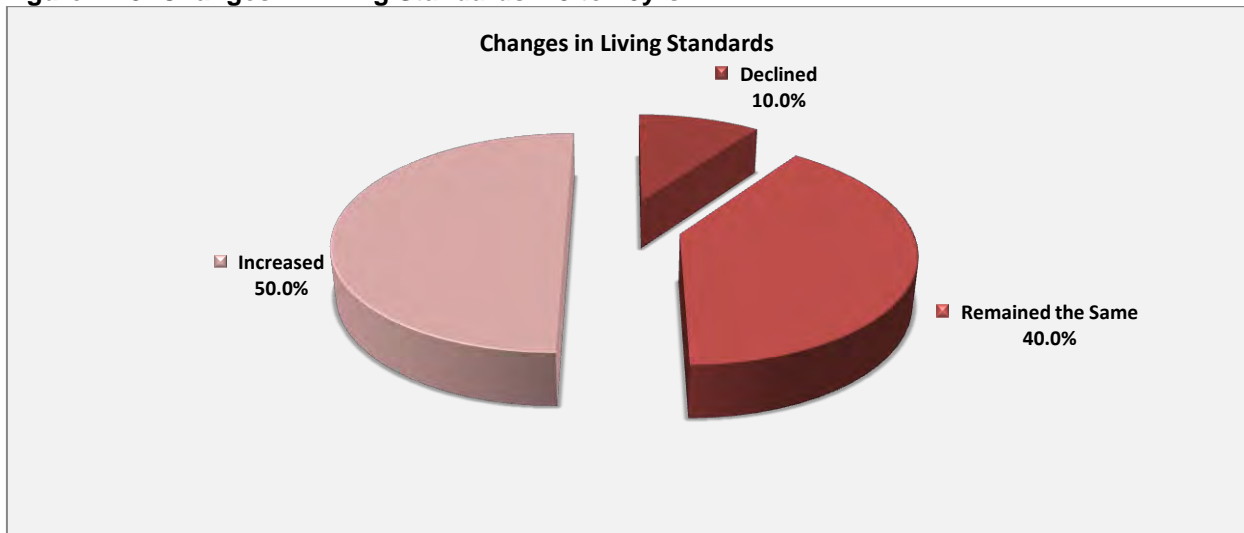
Source: Demacon Household Surveys, 2009

Figure 7.46: Average Monthly Household Income Before Deductions
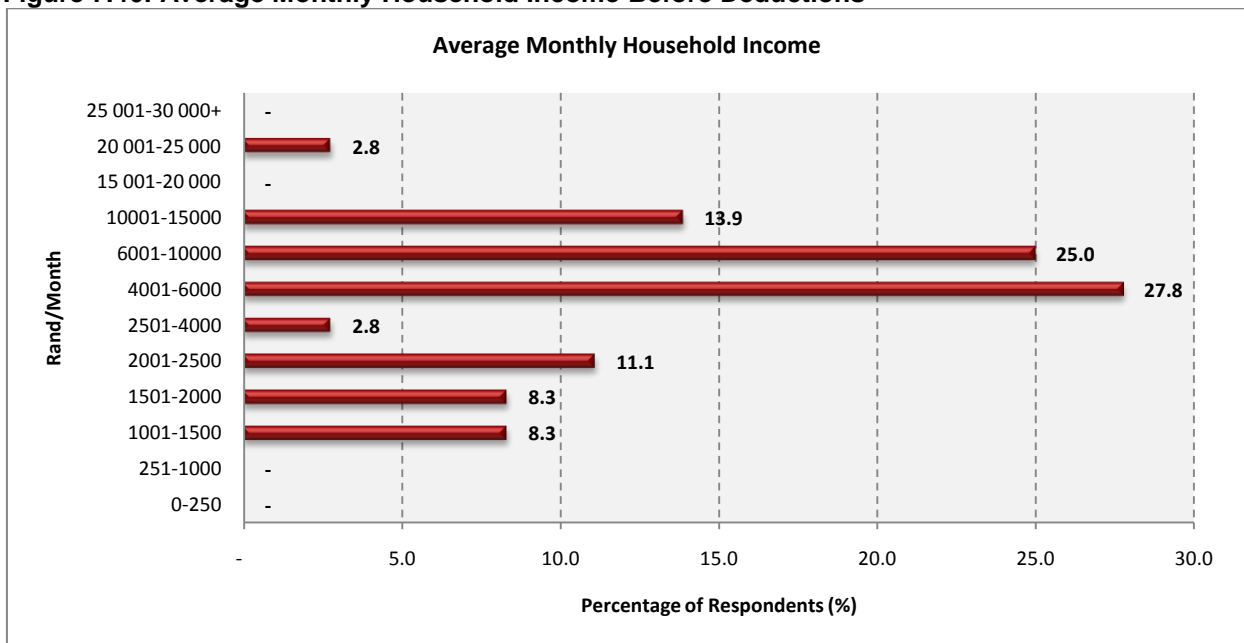
Source: Demacon Household Surveys, 2009

Findings: (Figures 7.45 to 7.46)

- ✓ The majority of respondents indicated that their living standard increased over the past five to 10 years – 50.0%, followed by 40.0% indicating that it remained the same and 10.0% indicating a decline.
- ✓ These changes can largely be ascribed to the economic recession, fewer expenses, higher living costs, improved access to services, access to facilities and services locally.
- ✓ The weighted average monthly household income amounts to **R6 340.8.** This figure is more or less on par with incomes specified under the socio-economic profile[72].
- ✓ In terms of remittances it was indicated that 26.0% of respondents obtain a certain percentage of their income from remittances. 57.7% of these respondents receive remittances making up 10% to 30% of their monthly incomes, 11.5% indicated that

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[72] Note: Weighted Average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

remittances make up 70% to 80% of their monthly incomes and 30.8% of respondents indicated that remittances make up 100% of their income.

✓ 19.0% of respondents also indicated that a certain portion of their income originates from the social grant system. 89.5% of these respondents obtain social grants constituting 10% to 30% of their monthly income, 10.5% obtain social grants constituting 100% of their monthly income.

7.5   SYNTHESIS

This chapter provided an in-depth assessment of Central City, the socio-economic profile of the primary trade area population and past and current consumer behaviour. Overall, the chapter assisted with the identification of the impacts that the development of Central City had on the local community and economy – Table 7.7.

Table 7.7: Impact of the Development of Central City

	Change	Impact
Changes in shopping location:		
Pretoria Central	51.0% to 28.1%	⬇
Pretoria North	14.8% to 9.9%	⬇
Ga-Rankuwa	13.4% to 2.5%	⬇
Soshanguve	8.1% to 29.8%	⬆
Mabopane	8.1% to 15.7%	⬆
Other	4.7% to 14.0%	⬆
Percentage of shopping conducted outside the local areas	65.2% to 44.7%	⬇
Percentage of shopping at local traders	19.7% to 24.3%	⬆
Average transport cost:		
Retail centre	R14.5 to R13.1	⬇
Local traders	R12.8 to R9.4	⬇
Average travel time:		
Retail centre	28.1min to 12.5min	⬇
Local traders	9.3min to 7.6min	⬇
Monthly household retail expenditure	R816.9 to R1 338.0 Central City – R936.6	⬆
Impact on local traders:	Slight to large decline in support – 58.5%	⬇
1. **Everything remained the same**	50.3%	**Constant**
2. **Decline in informal traders**	25.3%	**Negative**
3. **Closure of local businesses**	18.0%	**Negative**
4. **Informal traders moved closer to the centre**	14.0%	**Positive**
5. **Movement of local businesses closer to the centre**	11.0%	**Positive**
6. **Movement of local business to the centre**	3.2%	**Positive**
Overall impact of Central City		
1. **Reduced average travel cost**	86.0%	**Positive**
2. **Reduced average travel time**	85.0%	**Positive**
3. **Provide good quality goods and services locally**	82.0%	**Positive**
4. **Centre offers a safe and secure retail destination**	81.1%	**Positive**
5. **Centre provides a variety of goods and services to choose from locally**	80.0%	**Positive**

From Table 7.7 it is evident that the overall impact of Central City has been positive. It is interesting to note that percentage of shopping conducted at local traders increased, although a large segment of respondents indicated that the development had a perceived negative impact on local traders. Overall, the centre has improved the retail landscape within the local area; reducing travel costs and travel time, reducing the leakage of buying power and improving the overall convenience of shopping locally.

CHAPTER EIGHT: IN-DEPTH CASE STUDY ANALYSIS – LIBERTY PROMENADE

8.1 INTRODUCTION

Liberty Promenade represents a minor regional centre located in the heart of Mitchell's Plain, Cape Town. The purpose of this chapter is multi-fold:

✓ Firstly, to provide a profile of the centre under investigation and its location in relation to surrounding supply;
✓ Secondly, to provide a socio-economic profile of the primary consumer market of the centre;
✓ Thirdly, to provide an overview of past and present consumer market behaviour, overall levels of satisfaction, perceived needs and preferences;
✓ Fourthly, to determine the overall impact that the development of the centre had on the local community and economy.

8.2 LIBERTY PROMENADE PROFILE AND LOCATION WITH REFERENCE TO COMPETITION

8.2.1 LIBERTY PROMENADE PROFILE

Table 8.1 provides a condensed profile of Liberty Promenade. Overall it is evident that it represents a minor regional centre of 53 581m^2 retail GLA, located on the corner of ZA Berman Drive and Morgenster Road, in the town centre of Mitchell's Plain. It was developed in 2003 and refurbished in 2006. It consists of a single retail floor with 150 shops and 2 452 parking bays. It is anchored by Edgars, Woolworths, Game and Pick 'n Pay.

Table 8.1: Liberty Promenade Profile

Centre type	Minor regional centre
Centre size	53 581m^2 retail GLA
Location	Cnr ZA Berman Drive & Morgenster Rd, Town Centre, Mitchell's Plain
Date of development	2003
Number of retail floors	1
Number of shops	150
Number of parking bays	2 452 open
Anchor tenants	Edgars Woolworths Game Pick 'n Pay
Owner	Liberty Group Limited
Developer	Keystone Investments (Pty) Ltd

Source: Demacon Ex. SACSC, 2010

Preliminary work is well under way on the extension and refurbishment project which will increase the size of Liberty Promenade by approximately <u>24 000m</u>^{2} - an area roughly equal to the size of five soccer fields. Shoppers can look forward to new stores, additional parking bays, a new family entertainment wing, additional public toilets, a covered taxi rank area and a state-of-the-art surveillance system. The project is scheduled for completion in the last quarter of 2010.

Shopping at Liberty Promenade in Mitchell's Plain continues as usual while the extension and refurbishment project proceeds according to schedule. Liberty Properties' investment of more than R340 million will add approximately 24 000m^2 to Liberty Promenade, making it the largest shopping centre in a previously disadvantaged area in the Western Cape. Approximately 33.4% of the project's current workforce is made up from the communities of Mitchell's Plain, Khayelitsha and Phillipi.

Liberty Promenade is owned by Liberty Group, managed by Liberty Properties and the development is being managed by Liberty Property Development.

Picture 8.1: Liberty Promenade Layout[73]

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[73] Source: www.promenade.co.za

8.2.2   LOCATION OF LIBERTY PROMENADE IN RELATION TO ITS COMPETITION

Map 8.1 indicates the location of Liberty Promenade with reference to existing retail centres within a 10km radius. Table 8.2 indicates the detail of existing supply within a 10km radius.

Table 8.2: Existing Supply Within 10km from Liberty Promenade

Centre	Location	Size (m²GLA)	Classification	Developed	Shops	Anchors
Liberty Promenade - Mitchell's Plain	Mitchell's Plain	53 581	Regional Centre	2003	127	Edgars, Woolworths, Game, Pick n Pay
Westgate Mall	Mitchell's Plain	30 115	Community centre	1990	77	Checkers, Woolworths
Gugulethu Square	Gugulethu	30 000	Community centre	2009	89	Shoprite, Spar, Jetmart, Pep, Ackermans
Ottery Centre	Ottery	29 000	Hypermarket centre	1986	52	Pick n Pay Hypermarket
Khayelitsha Mall	Khayelitsha	19 254	Community centre	2005	58	Shoprite, Spar
Airport Shopping Centre	Bellville	12 149	Community centre	2007	65	Shoprite, Pepkor, ABSA, Nedbank
OK Bazaars - Mitchell's Plain	Mitchell's Plain	10 428	Neighbourhood centre	1995	30	Shoprite, Jet, Legit
Nyanga Junction	Manenberg	10 071	Community centre	1994	110	Pick n Pay, Campwell Hardware
Station Plaza	Mitchell's Plain	9 260	Neighbourhood centre	1992	80	Shoprite
Shoprite Centre - Mitchell's Plain	Mitchell's Plain	8 167	Neighbourhood centre	1970	9	Shoprite, Pep Stores
China City	Ottery	7 900	Neighbourhood centre	2007	51	Small retailers
Cape Town International Airport	Airport Industria	5 716	Speciality centre	1992	55	Big Five Duty Free, Out Of Africa
Pick n Pay Town Centre - Mitchell's Plain	Mitchell's Plain	5 142	Neighbourhood centre	1985	1	Pick n Pay Family
Rocklands Centre	Mitchell's Plain	5 044	Neighbourhood centre	1982	17	Shoprite Checkers
Shoprite Centre - Philippi	Philippi	5 014	Neighbourhood centre	2003	15	Shoprite
Shoprite Centre - Mfuleni	Mfuleni	4 539	Local convenience centre	2007	15	Shoprite
Westridge Centre	Mitchell's Plain	4 126	Local convenience centre	1978	26	Shoprite Checkers
Mutual Plain - Symphony Walk	Mitchell's Plain	4 069	Local convenience centre	1991	11	Ackermans, ABSA, Choice Clothing
Nonquabela Shopping Centre	Khayelitsha	2 922	Local convenience centre		15	Score Supermarket
Opera Place	Mitchell's Plain	2 246	Local convenience centre	1980	12	
Lentegeur Shopping Centre	Mitchell's Plain	2 174	Local convenience centre	1985	16	Shoprite Checkers
Sonata Lane	Mitchell's	2 158	Local	1991	10	Discom, Morkels

![DEMACON market studies]

Centre	Location	Size (m²GLA)	Classification	Developed	Shops	Anchors
	Plain		convenience centre			
Unity Centre	Mitchell's Plain	1 745	Local convenience centre		2	
Total		**264 820**				

Source: Demacon, 2010

- ✓ There are 22 other retail centres within a 10km radius from Liberty Promenade.
- ✓ Twelve are located in Mitchell's Plain, two are located in Ottery, two are located in Khayelitsha, one in Guguletha, one in Manenberg, one in Philippi, one at the international airport, one in Bellville and one in Mfuleni.
- ✓ These include five community centres, one hypermarket, one speciality centre, seven neighbourhood centres and eight local convenience centres.
- ✓ The sizes of the centres vary between 1 745m² retail GLA and 30 115m² retail GLA.
- ✓ The centres excluding Liberty Promenade constitute a total of 211 239m² of retail GLA.
- ✓ Only six of these centres were developed post 2000 (excluding Liberty Promenade).
- ✓ Anchors include Edgars, Woolworths, Game, Pick 'n Pay, Checkers, Shoprite, Spar, Jetmart, Pep, Ackermans, ABSA, Nedbank, Legit, Score.

Overall, Liberty Promenade is located in a market area characterised by high levels of supply, however, it represents the largest centre and the only regional centre in the area.

8.3   CONSUMER MARKET PROFILE

In order to understand the consumer market profile of Liberty Promenade, a 10km trade area was delineated – Refer to Map 8.2.

Subsequent paragraphs highlight the dominant characteristics of the primary trade area population, in terms of:

- ✓ Population size;
- ✓ Racial profile;
- ✓ Age profile;
- ✓ Level of education;
- ✓ Employment status;
- ✓ Occupation profile and manner of employment;
- ✓ Average annual household income;
- ✓ Mode of transport;
- ✓ Dwelling type.

Map 8.1: Location of Liberty Promenade and Other Retail Centres Within 10km Trade Radius
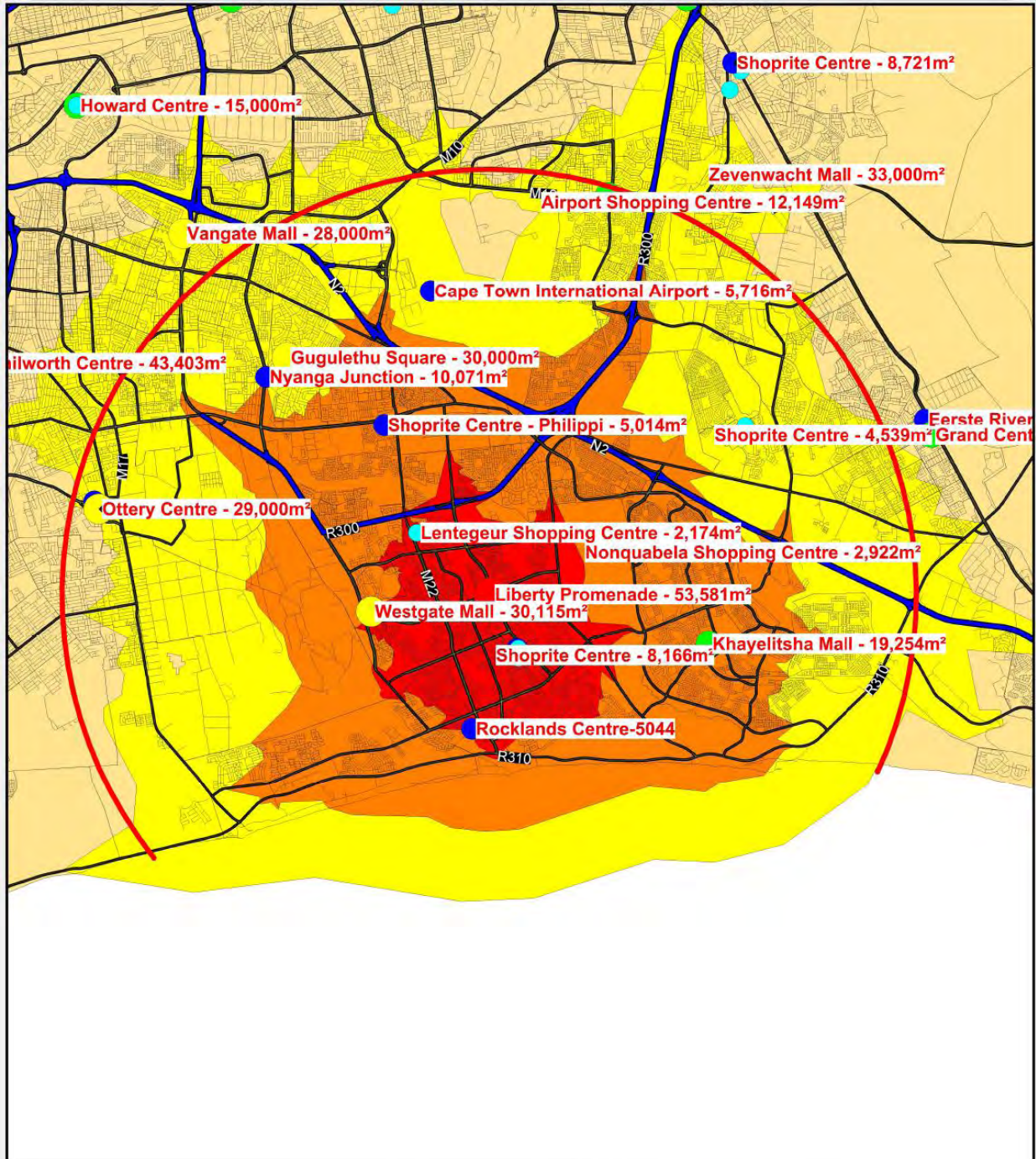
Map 8.2: Liberty Promenade Primary Trade Area Delineation, 10km Radius
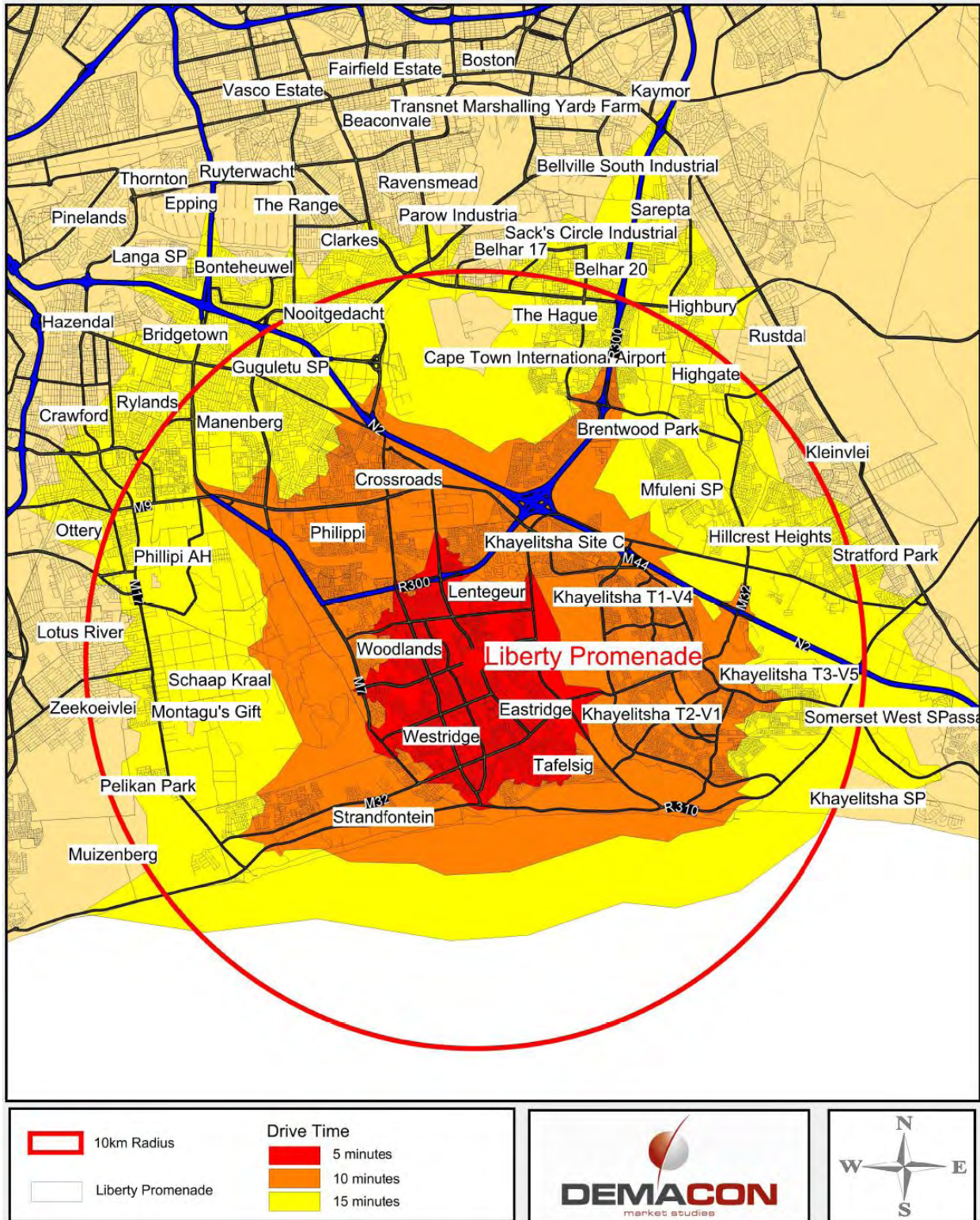
Table 8.3: Liberty Promenade Primary Consumer Market Profile, 2010 Estimates

Variable	Primary Source Market Characteristics
Number of people	✓ 1.3 million
Number of households	✓ 320 627
Household size	✓ 4.0
Household density	✓ 2 289.6 households/km^2
Racial distribution	✓ African blacks – 53.7% ✓ Coloureds – 45.5% ✓ White – 0.9% ✓ Asian – 0.2%
Age profile	✓ 0-14: 30.1% ✓ 15-19: 10.9% ✓ 21-35: 30.2% ✓ 36-65: 26.5% ✓ 65+: 2.3%
Educational attendance (aged 5 to 24 years)	✓ School: 59.6% ✓ None: 34.6% ✓ Pre-school: 3.2% ✓ College: 1.0% ✓ Other: 1.7%
Highest level of education (aged 20 and older)	✓ Higher: 4.0% ✓ Grade 12: 19.7% ✓ Some secondary: 45.8% ✓ Some primary and primary: 24.7% ✓ None: 5.6%
Level of employment	✓ EAP: 67.5% ✓ Employed: 58.1% ✓ Unemployed: 41.9%
Manner of employment	✓ Paid employees: 92.1% ✓ Self-employed: 5.0% ✓ Family worker: 2.0% ✓ Employer: 0.9%
Occupation profile	✓ Elementary occupations: 31.1% ✓ Craft and related trade: 16.0% ✓ Service workers: 13.1% ✓ Clerks: 12.6% ✓ Plant and machine operators and assemblers: 12.2% ✓ Technicians and associate professionals: 7.9% ✓ Professionals: 3.3% ✓ Legislators, senior officials and managers: 2.9%
Weighted average household income[74]	Total market earning an income: ✓ R94 074.7/annum ✓ R7 839.6/month LSM 4 to 10+: ✓ R114 924.9/annum ✓ R9 577.1/month
LSM profile	✓ LSM 1-3: 36.3% ✓ LSM 4-10+: 63.7%
Mode of transport	✓ On Foot: 41.3% ✓ Train: 17.2% ✓ Private Vehicle: 15.2% ✓ Mini-bus: 12.2% ✓ Bus: 12.1%
Dwelling type	✓ House on separate stand: 49.0% ✓ Informal dwelling on separate stands: 28.0% ✓ Townhouses and cluster units: 6.9% ✓ Informal dwelling in backyard: 5.5% ✓ Flat in block of flats: 4.3% ✓ House/flat/room in backyard: 2.0%

Source: Demacon Ex. Quantec, 2010

Subsequent figures highlight some of the salient features of the consumer market.

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[74] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weighted, and then adding the results.

Figure 8.1: Age Profile of Consumer Market
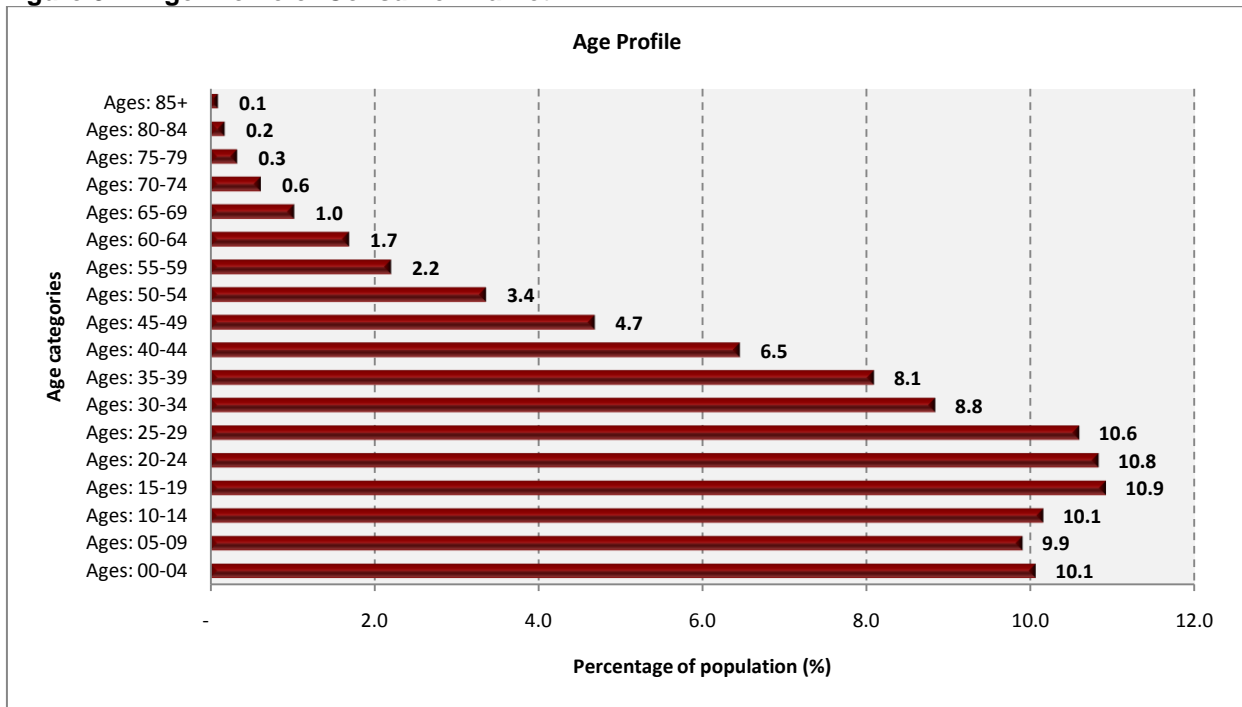
Source: Demacon Ex. Quantec, 2010

Figure 8.2: Employment Status
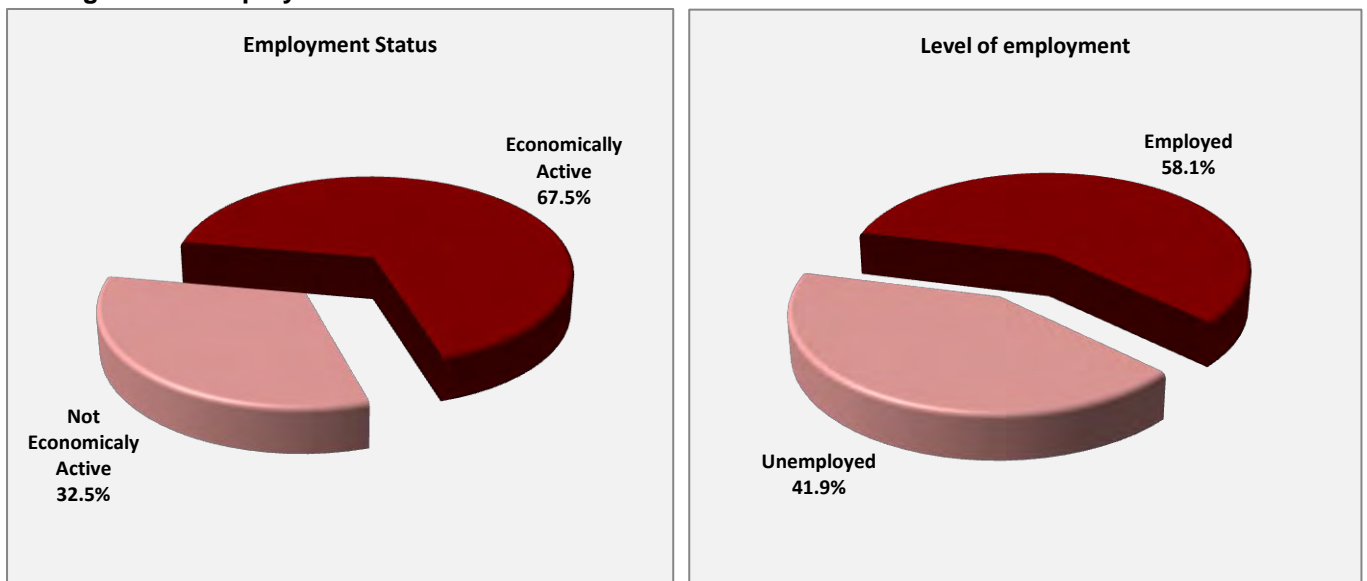
Source: Demacon Ex. Quantec, 2010

Table 8.4: Living Standard Measurement Indicator, 2010

Income category (R/month)	LSM Status	Market Area
Super A income	LSM 10+	1.6
A Income	LSM 10	0.7
B Income	LSM 9	5.0
C Income high	LSM 8	2.1
C Income low	LSM 7	11.5
D Income	LSM 6	14.6
D Lower top	LSM 4 to 5	28.2
D lower end	LSM 1 to 3	36.3

Source: Demacon Ex. Quantec, 2010

Figure 8.3: Average Annual Household Income, 2010
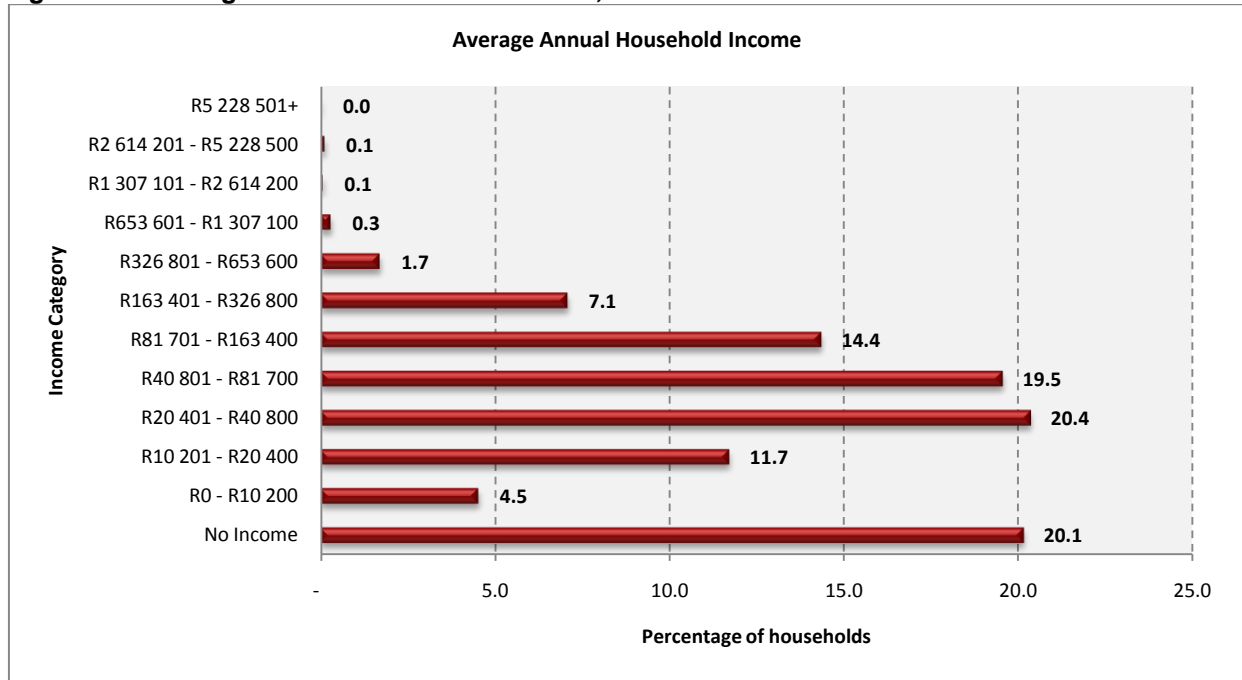
Source: Demacon Ex. Quantec, 2010

Overall the primary consumer market profile reveals the following pertinent characteristics:

✓ At least **320 627** households (2010);
✓ Largely an African black and coloured consumer market;
✓ Relatively large young and upcoming market segment, supported by more mature adult segment and large youth component;
✓ Less sophisticated consumer market characterised by relatively low levels of education;
✓ Relatively large economically active market segment, characterised by moderate levels of employment – reflecting moderate dependency ratios;
✓ Occupation profile reflects a dominance of blue collar occupations – serving as a proxy for lower to middle income consumer market characterised by pockets of wealth and poverty;
✓ Weighted average monthly household income of target market (LSM 4 to 10+) approximately **R9 577.1** (2010);
✓ Moderate to higher living standard levels – **LSM 1 to 3 (36.3%); LSM 4 to 10+ (63.7%);**
✓ A number of factors contribute to the general property development climate in a specific geographical area. The socio-economic factors that provide an initial indication of market potential are levels of education, level of employment, income and standards of living. These factors combined reflect a consumer market with a demand largely focused towards the middle to upper spectrum of commercial products and services.

In order to examine the impact that the development of Liberty Promenade had on the local community proportionally stratified household surveys were conducted within the 10km radius. Subsequent paragraphs highlight the findings of these surveys.

8.4   IMPACT OF THE DEVELOPMENT OF LIBERTY PROMENADE

Household surveys were conducted within the 10km trade radius in order to study past and current consumer behaviour using the development of Liberty Promenade as reference point. They also show current levels of satisfaction, perceived demands pertaining to future extensions and preferences pertaining thereto. Overall, these findings reveal the overall impact that the centre had on the local community and their consumer behaviour.

The findings of these surveys are addressed under the subsequent main headings:

✓ Household information;
✓ Past consumer behaviour;
✓ Current consumer behaviour;
✓ Frequency of visits and dwell time;
✓ Level of satisfaction;
✓ Need to expand Liberty Promenade;
✓ Overall impact of the development of Liberty Promenade;
✓ Living standard and average annual income.

8.4.1   HOUSEHOLD INFORMATION

In terms of household information the following were addressed: number of households on premises, average household size, current life stage, age profile of household members, family member mainly responsible for conducting retail purchases, mode of transport, number of breadwinners and suburb of employment.

Figure 8.4: Number of Households on Premises
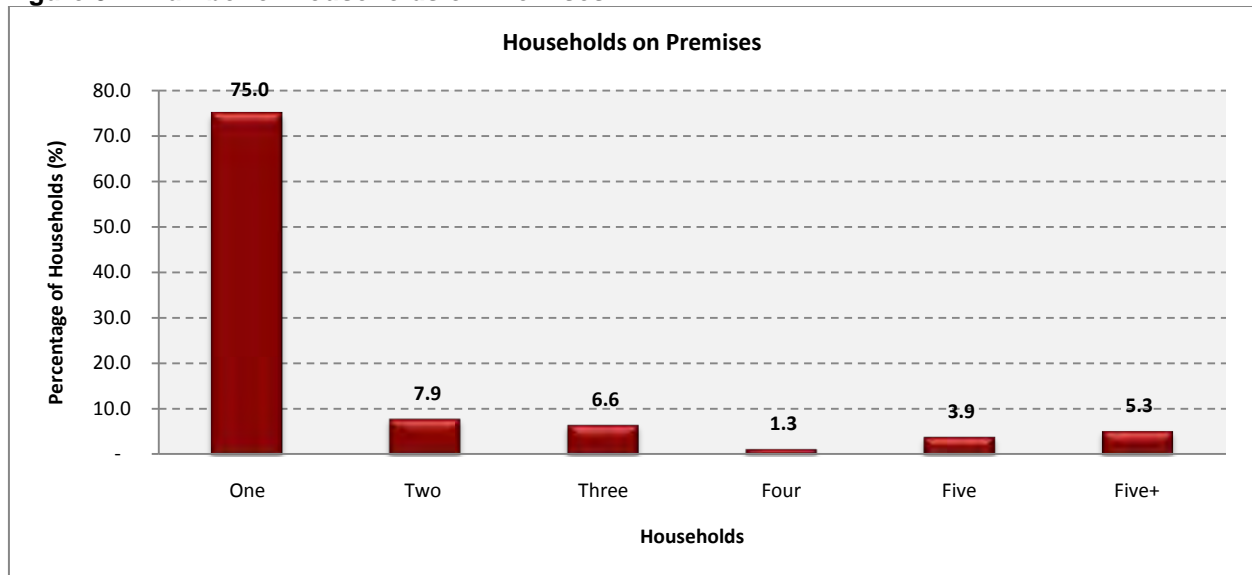
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.4 to 8.8)

Consumer market reflects the following household characteristics:
✓ In most cases (75.0%) there is one household on the premises, while 25% of respondents have more than one household on the premises;
✓ Households mostly consist of more three to five members (62.8%);
✓ The dominant life stages include mature parents (40.0%), couples (25.0%) and single parents (21.3%);
✓ The age profile of household members reflects a dominant adult population (38.0%), supported by a slightly smaller segment of young adults (25.5%) and a segment of children (23.8%) and teenagers (12.7%);
✓ The mothers (51.2%), followed by the fathers (25.6%) and daughters (9.9%) are mainly responsible for retail purchases.

Figure 8.5: Average Household Size
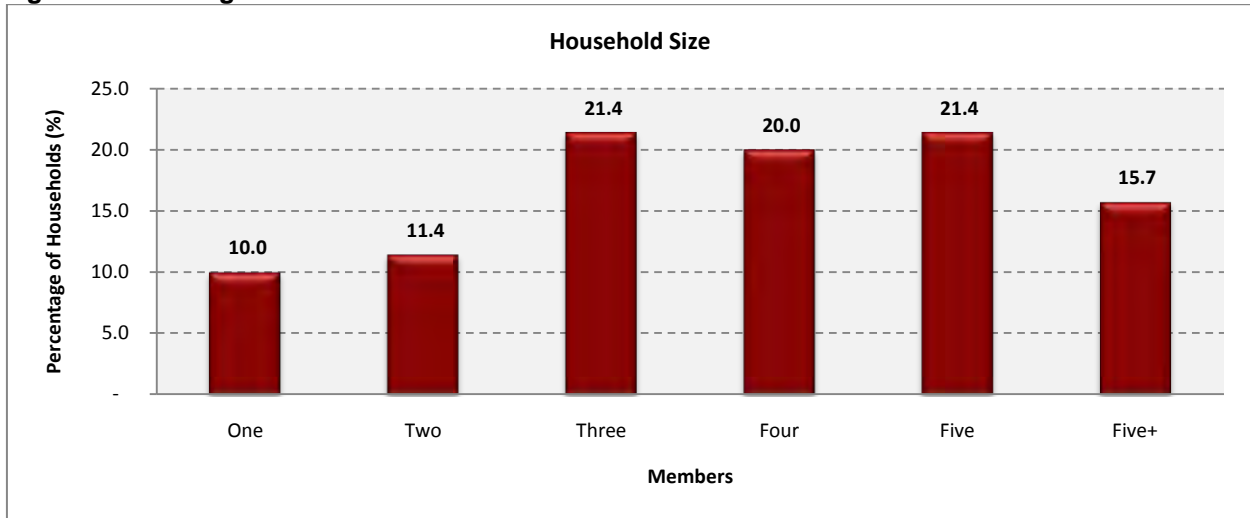
Source: Demacon Household Surveys, 2009

Figure 8.6: Current Life Stage
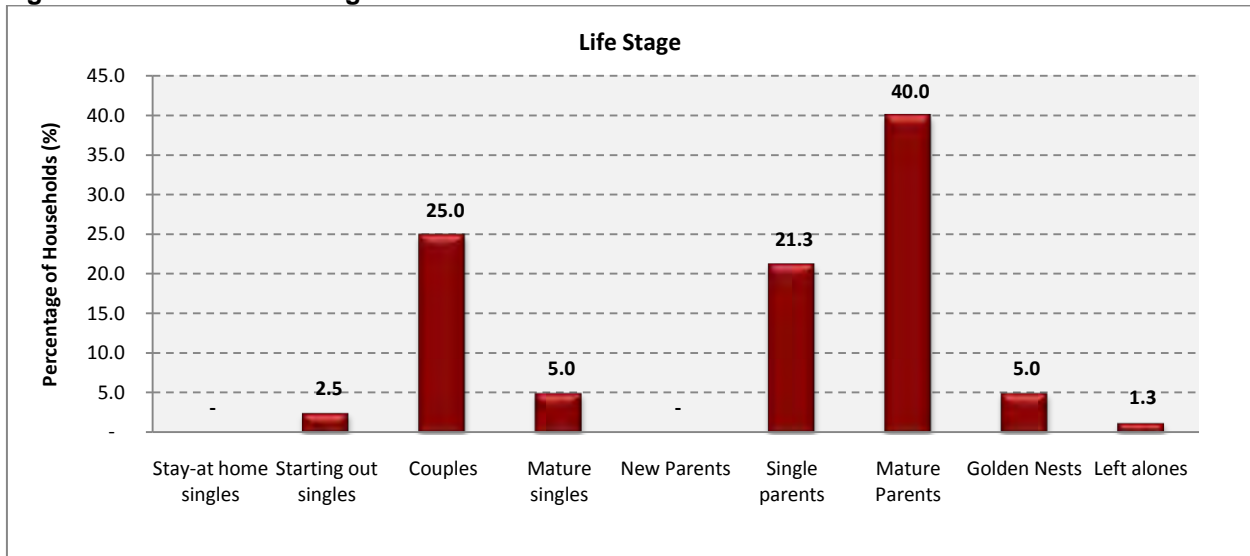
Source: Demacon Household Surveys, 2009

Figure 8.7: Age Profile of Household Members
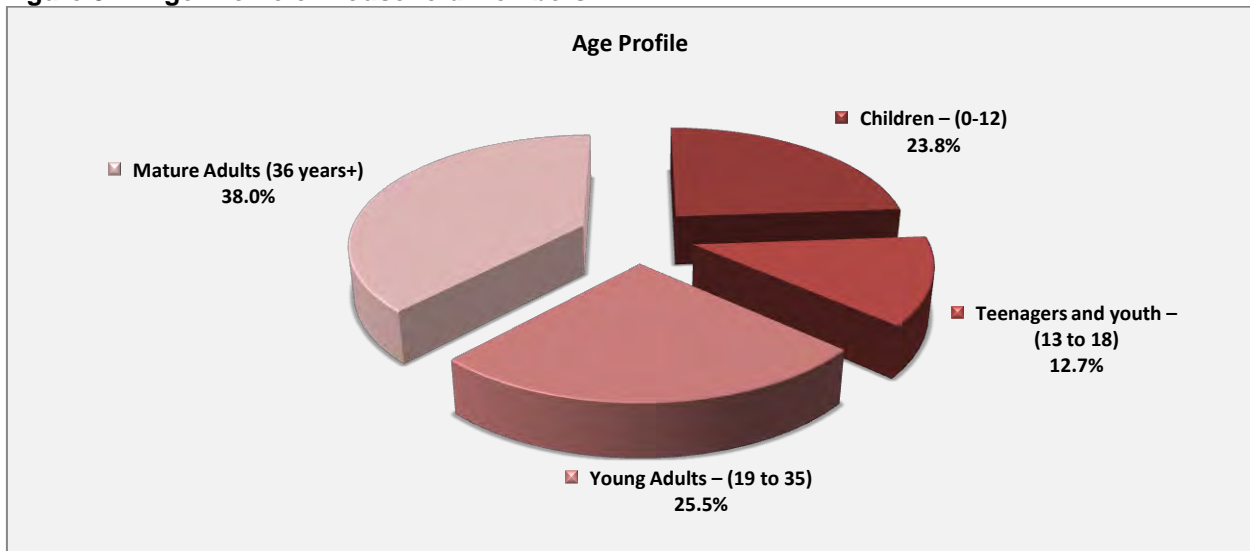
Source: Demacon Household Surveys, 2009

Figure 8.8: Family Member Responsible for Retail Purchases

Family Member Responsible for Retail Puchases

- Grandpa 0.8%
- Grandma 5.8%
- Son 6.6%
- Daughter 9.9%
- Father 25.6%
- Mother 51.2%
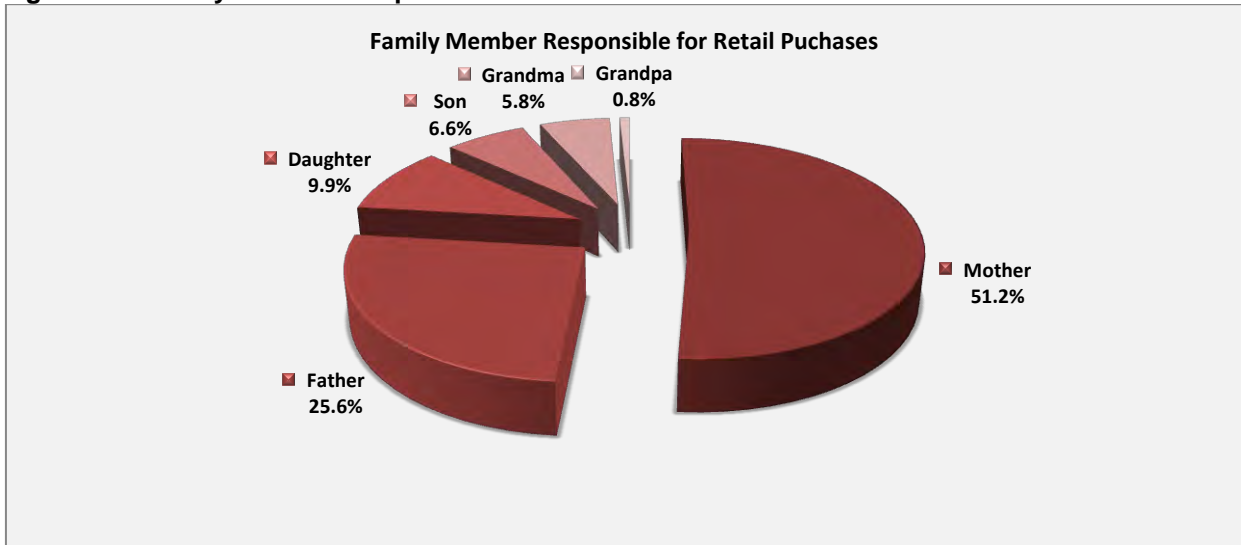
Source: Demacon Household Surveys, 2009

Figure 8.9: Mode of Transport

Family Member Responsible for Retail Puchases - Mode of Transport

- Public Transport 47.4%
- Walk 7.2%
- By car as passenger 8.2%
- By car as driver 37.1%
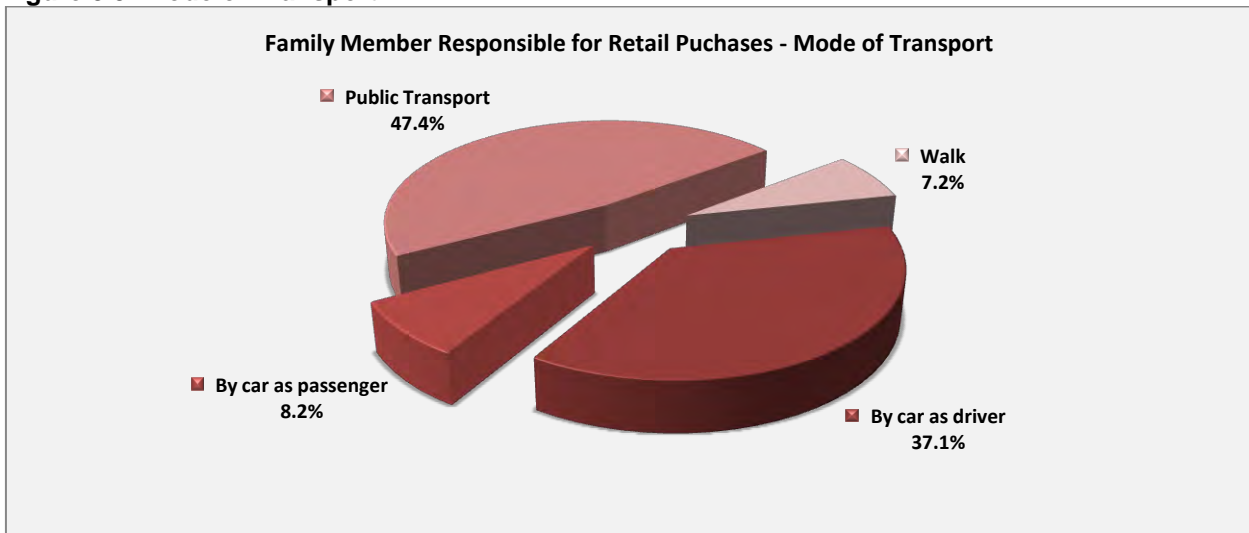
Source: Demacon Household Surveys, 2009

Figure 8.10: Breadwinners per Household

Number of Breadwinners

- Two 37.2%
- Three 11.5%
- Three+ 3.8%
- One 47.4%
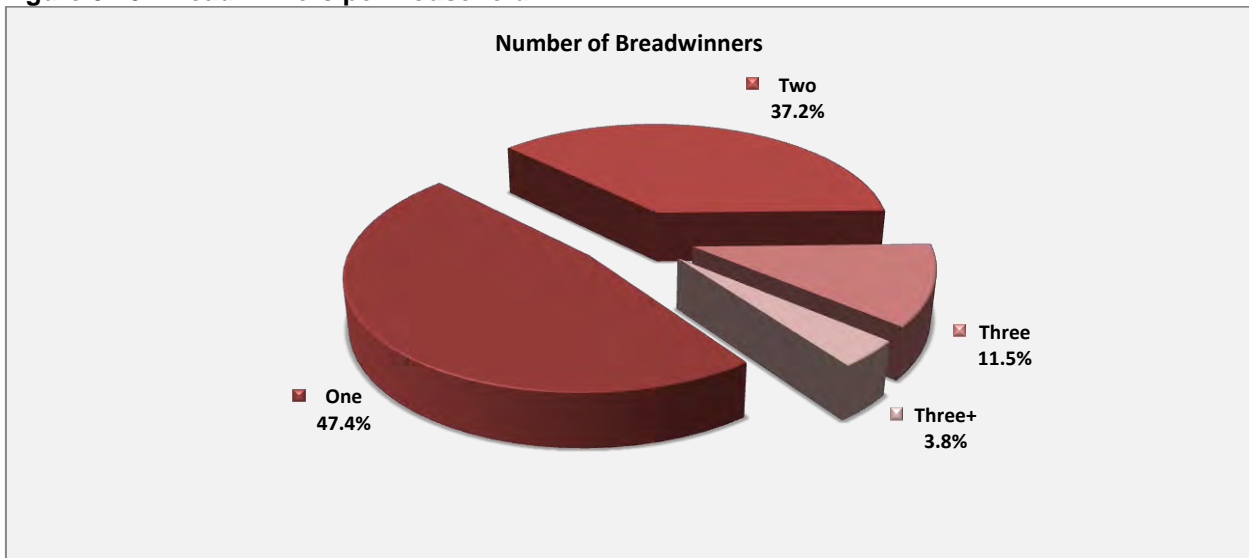
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.9 to 8.10)

- ✓ Persons responsible for retail purchases reach their retail destinations mostly by means of public transport (47.4%), private vehicles (45.3%) or walking (7.2%).
- ✓ The majority of households are characterised by a single breadwinner (47.4%), followed by 37.2% of the households having two breadwinners and a small segment being characterised by more than two breadwinners.
- ✓ These breadwinners are mainly employed in Cape Town Central, Mitchell's Plain, Bellville, Khayelitsha, Langa, Somerset West and Athlone.

8.4.2 PAST CONSUMER BEHAVIOUR

Subsequent paragraphs address the issue of past consumer behaviour before Liberty Promenade was developed. They provide information on where consumers shopped before the mall as developed, what percentage of shopping was conducted outside of the local area, at which centre, the distance to these centres, an indication of expenditure at local traders, household expenditure, transport costs and average time to retail destinations and traders.

Figure 8.11: Retail Location Before Liberty Promenade

Before Liberty Promenade - Retail Locations

- Cape Town Central 29.5%
- Somerset West 4.5%
- Other Areas 9.8%
- Mitchell's Plain 56.3%
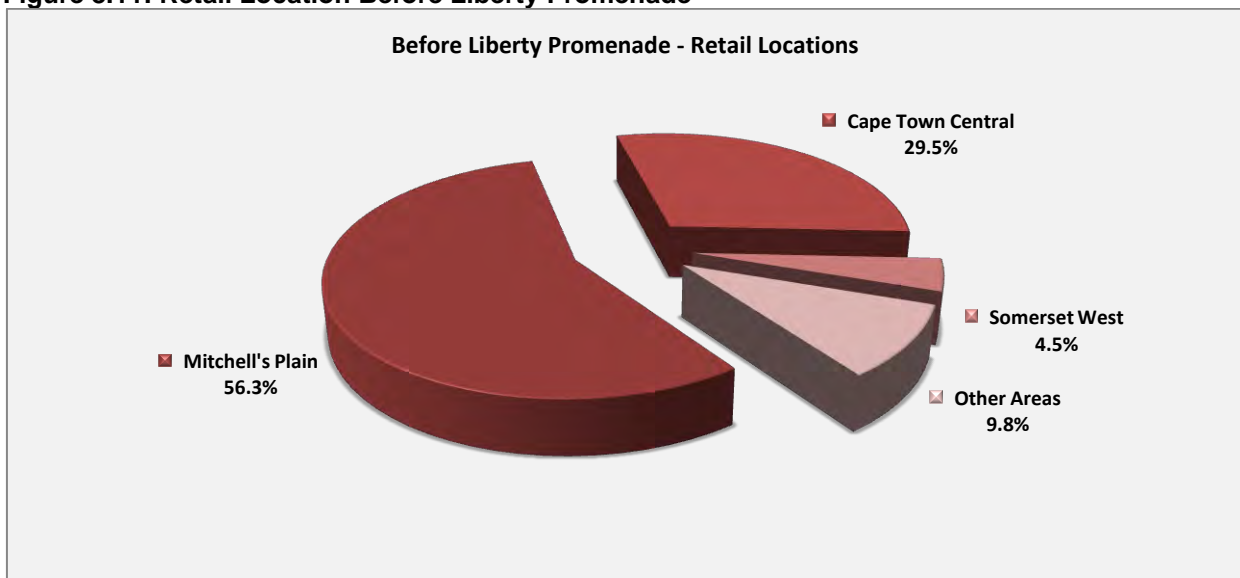
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.11 to 8.12 and Table 8.5)

- ✓ Before Liberty Promenade, the majority of respondents conducted their shopping in Mitchell's Plain (56.3%), Cape Town Central (29.5%), other areas (9.8%) and Somerset West (4.5%).
- ✓ Before Liberty Promenade was developed approximately 46.1% (weighted average[75]) of shopping was conducted outside of the local area.
- ✓ In terms of the preferred retail centres the following dominant centres featured: Mitchell's Plain Town Centre, Cape Town Central, Westgate Mall, Sanlam Centre, Claremont, Site B Centre, Somerset Mall, Kenilworth Centre and Wynberg Centre.
- ✓ The dominant retail areas include Mitchell's Plain, Cape Town, Claremont, Parrow, Somerset West and Wynberg.

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[75] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Figure 8.12: Percentage of Shopping Conducted Outside the Local Area Before Liberty Promenade
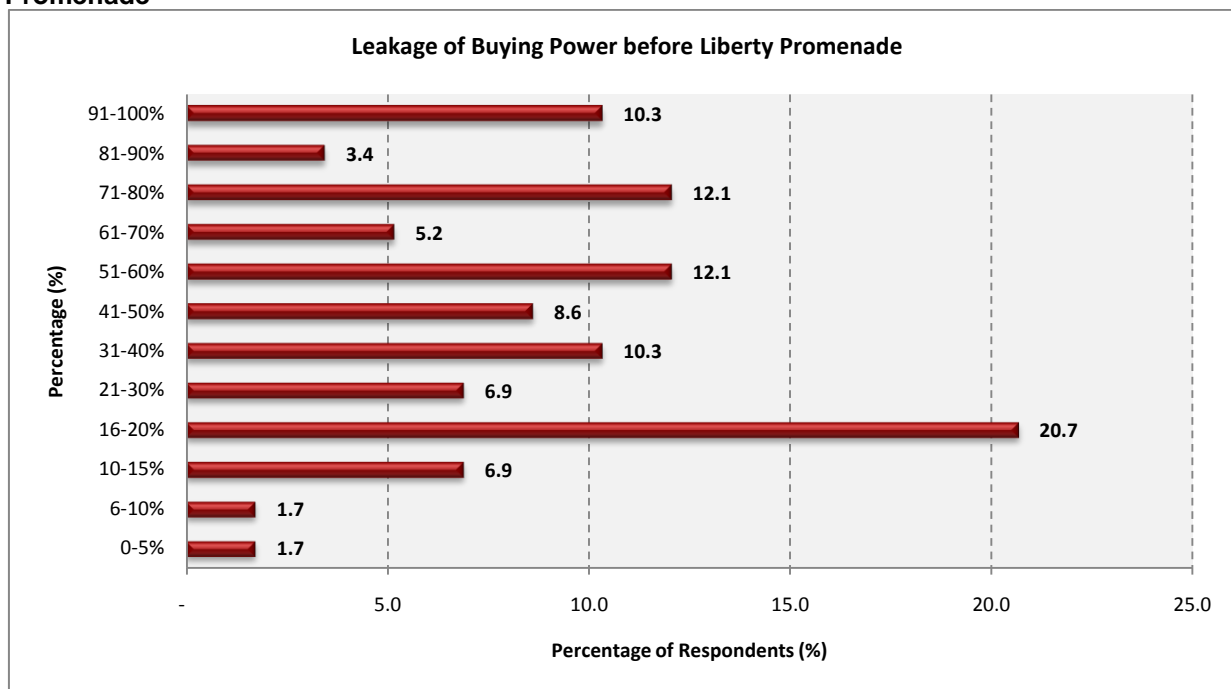
Source: Demacon Household Surveys, 2009

Table 8.5: Preferred Retail Centre Before Liberty Promenade

	Centres	Areas
Groceries	Mitchell's Plain Town Centre, Cape Town Central, Site B Centre, Westgate Mall, Sanlam Centre, Claremont	Mitchell's Plain, Cape Town, Claremont, Parrow, Somerset West
Top-up groceries	Town Centre, Sanlam Centre, Cape Town Central, Claremont, Westgate Mall	Mitchell's Plain, Cape Town, Claremont, Parrow
Clothing /shoes /accessories	Town Centre, Cape Town Central , Claremont, Sanlam Centre, Westgate Mall, Somerset Mall, Kenilworth Centre	Mitchell's Plain, Cape Town, Claremont, Parrow, Somerset West
Furniture and home ware	Mitchell's Plain Town Centre, Claremont, Cape Town Central, Westgate Mall, Sanlam Centre, Wynberg Centre	Mitchell's Plain, Claremont, Cape Town, Claremont, Wynberg
Hardware goods	Town Centre, Claremont, Cape Town Central, Westgate Mall, Century City	Mitchell's Plain, Claremont, Cape Town,
Gifts books and confectionary	Mitchell's Plain Town Centre, Claremont, Cape Town Central, Westgate Mall, Somerset West, Sanlam Centre	Mitchell's Plain, Claremont, Cape Town, Somerset West, Parrow
Specialty / value goods	Mitchell's Plain town centre, Cape Town Central, Westgate Mall, Claremont, Sanlam Centre	Mitchell's Plain, Cape Town, Claremont, Parrow
Entertainment	Mitchell's Plain town centre, Cape Town Central, Claremont, Westgate Mall, Somerset Mall	Mitchell's Plain, Cape Town, Claremont, Somerset West
Restaurants	Mitchell's Plain town centre, Cape Town Central, Claremont, Westgate Mall, Somerset Mall	Mitchell's Plain, Cape Town, Claremont, Somerset West
Personal care	Mitchell's Plain Town Centre, Westgate Mall, Claremont, Cape Town Central, Sanlam Centre	Mitchell's Plain, Cape Town, Claremont, Parrow
Services & other	Mitchell's Plain Town Centre, Westgate Mall, Claremont, Cape Town Central, Sanlam Centre	Mitchell's Plain, Cape Town, Claremont, Parrow

Source: Demacon Household Surveys, 2009
Note: Households also listed Khayelitsha and Vangate Mall, however, these centres were developed after Liberty Promenade and were excluded from the list.

Figure 8.13: Average Distance to Preferred Centre
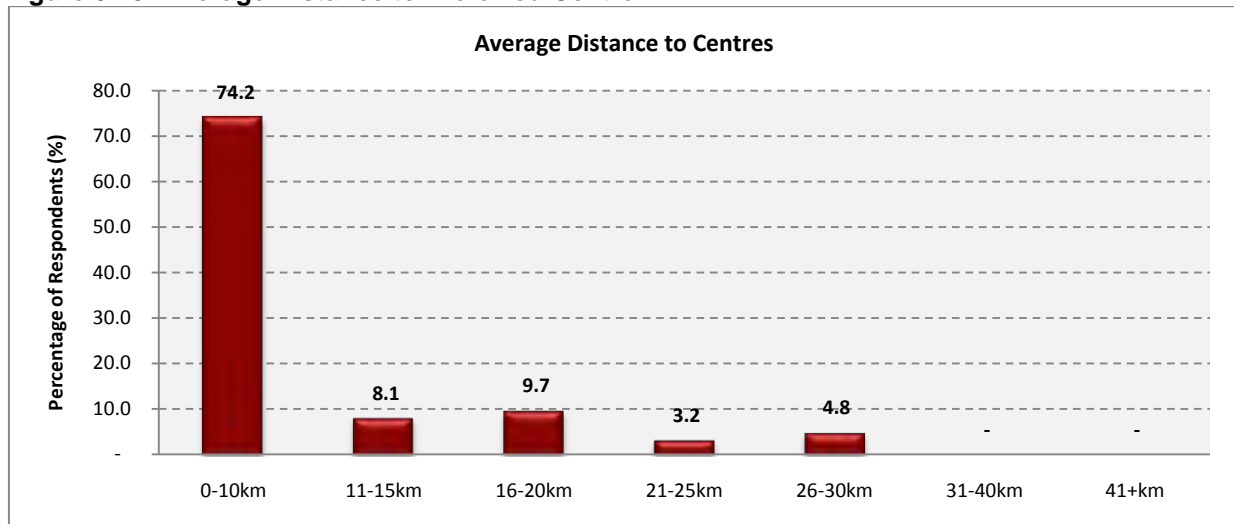
Source: Demacon Household Surveys, 2009

Figure 8.14: Percentage of Shopping Conducted at Local Traders Before Liberty Promenade
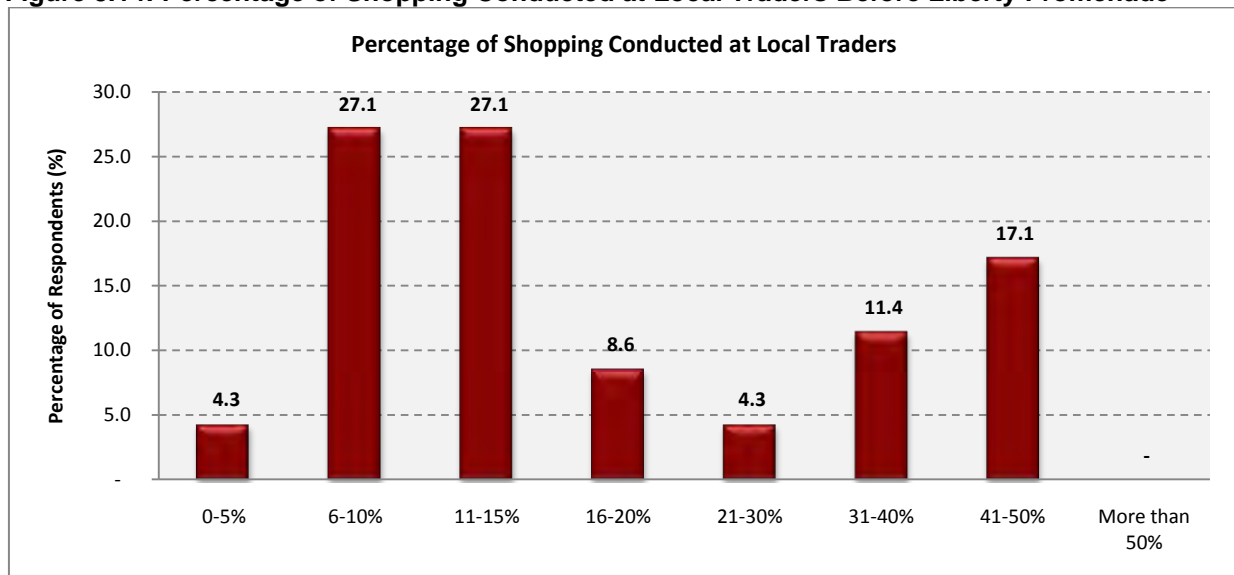
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.13 to 8.15)

✓ Before the development of Liberty Promenade the average distance to supported retail centres was mostly less than 10km (74.2%), followed by 8.1% indicating distances of 11 to 15km, 9.7% indicating distances between 16 and 20km and 8% indicating distances of more than 20km. The average weighted distance amounted to **8.6km.**

✓ Most respondents (54.2%) conducted between 6% and 15% of their shopping at local traders, with a segment indicating that they carried out between 16% and 30% of their shopping at local traders (12.9%) and 28.5% indicating that they spent between 31% and 50% of shopping at local traders. The average weighted percentage conducted at local traders amounted to **20.3%.**

✓ The majority of households spent between R400 and R1 000 a month at formal retail centres (50.0%), 34.2% of households spent more than R1 000 a month and 18.4% of households spent less than R400 a month. Average monthly household expenditure at formal retail centres amounted to **R906.40.**

✓ The majority of households spent between R150 and R200 a month at local traders (40.0%), 30%% spent between R200 and R300 a month and 30% spent between R300 and

R500 a month at local traders. The average monthly household expenditure at local traders amounted to **R270.5.**

Figure 8.15: Monthly Household Expenditure at Retail Centres and Local Traders
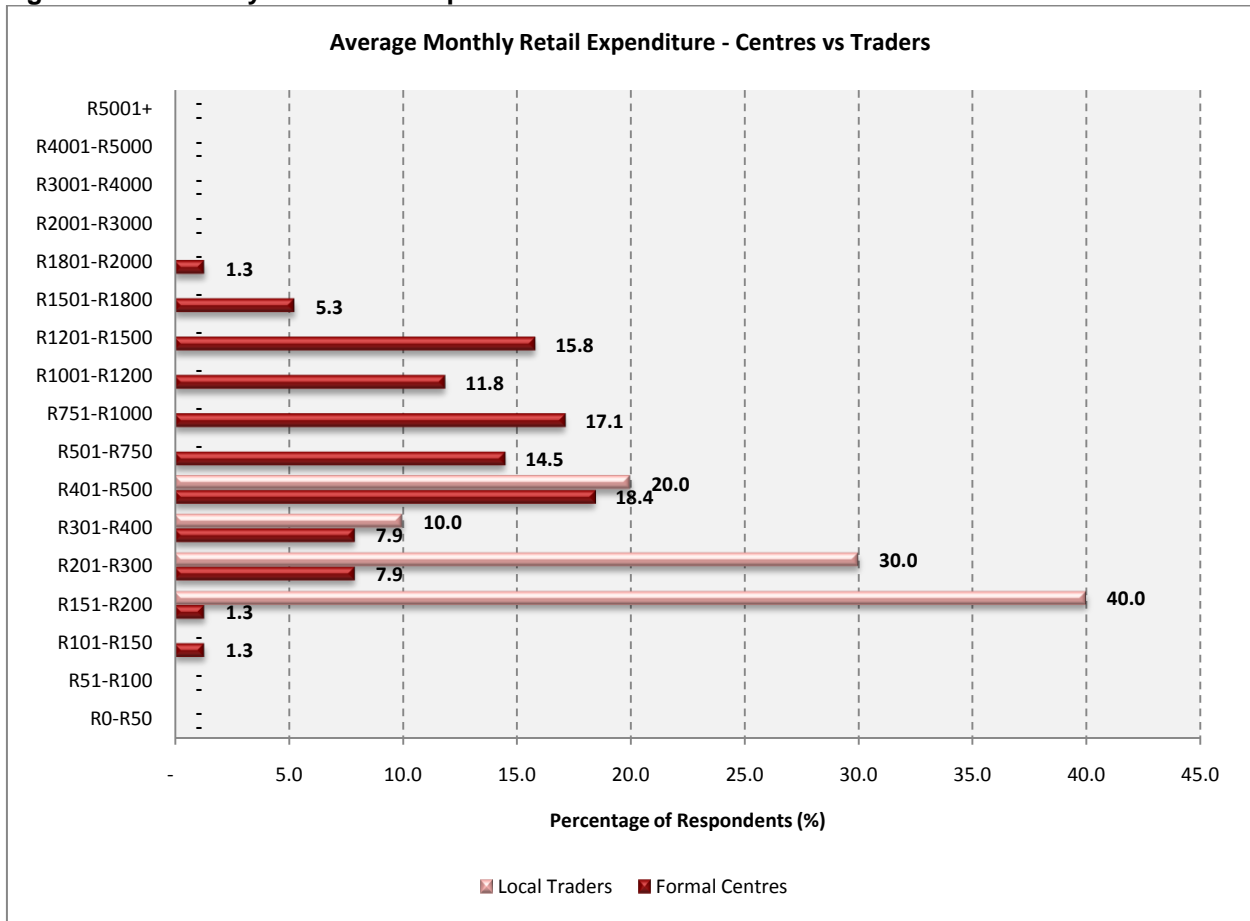
Source: Demacon Household Surveys, 2009

Figure 8.16: Average Bus/Taxi Fare
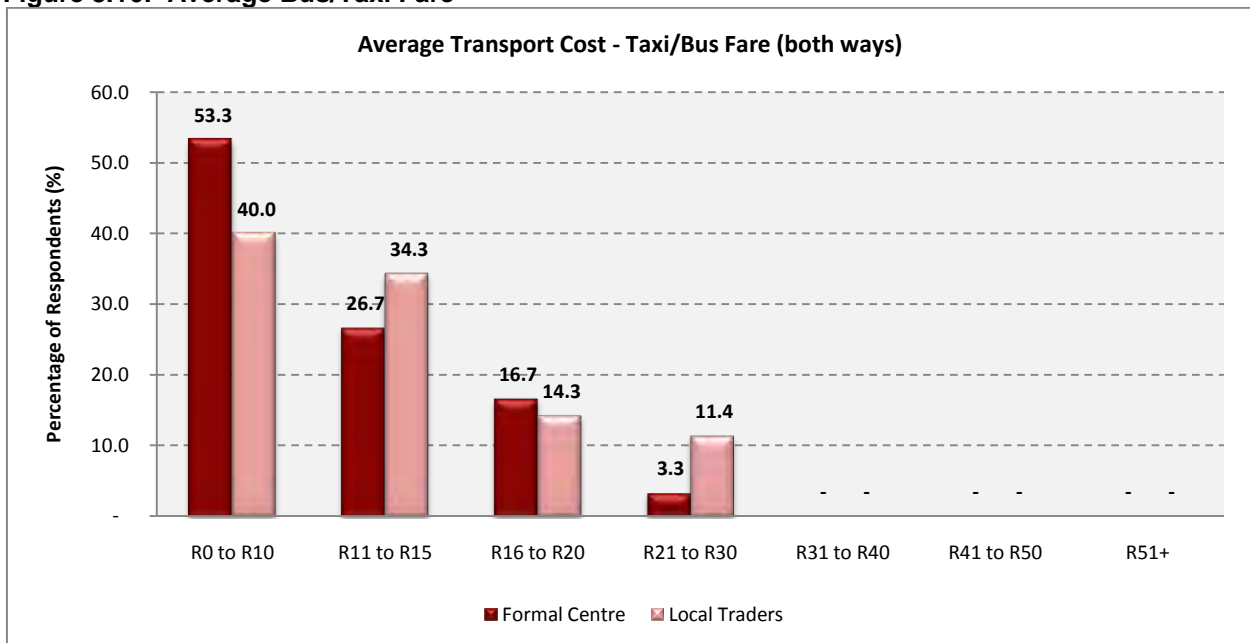
Source: Demacon Household Surveys, 2009

Figure 8.17: Average Travel Time
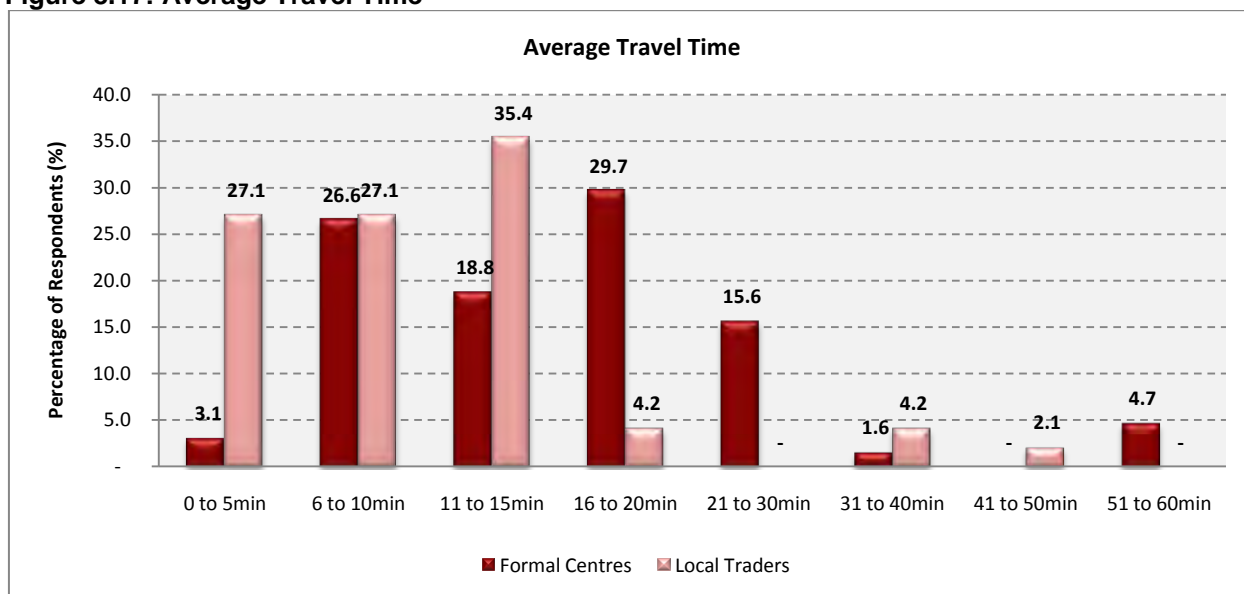
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.16 to 8.17)

✓ The majority of households indicated that they spent up to R10 for taxi/bus fares to the formal retail centres – 53.3%. This is followed by a medium sized segment indicating transport fares of between R11 and R15 – 26.7%, and between R16 and R20 -16.7%. A small segment indicated transport fares exceeding R20 – 3.3%. The average weighted transport fare to formal retail centres amounted to **R10.0.**

✓ Similar trends were observed with reference to travel fares to local traders. Interestingly,the larger segment of respondents indicated higher transport costs to local traders. The average weighted transport fare to local traders amounted to **R11.90.**

✓ In terms of the average travel time it is evident that the majority of respondents indicated a travel time of between 16 and 20 minutes to formal retail centres – 29.7%, a large segment indicated shorter travel times between six and 15 minutes (45.4%) and a smaller segment indicated longer travel times, exceeding 20 minutes (21.9%). The weighted average travel time to formal retail centres amounted to **17.1 minutes**[76].

✓ The majority of respondents indicated that they travel between 11 and 15 minutes to local traders (35.4%), this is followed by 27.1% of respondents indicating travel times between six and 10 minutes and 27.1% indicating travel times of less than five minutes. 10.5% of respondents indicated longer travel times exceeding 16 minutes. The weighted average travel time to local traders amounted to **10.6 minutes**.

8.4.3   CURRENT CONSUMER BEHAVIOUR

Subsequent paragraphs examine current consumer behaviour trends after the development of Liberty Promenade. They focuses on the impact that the development of the mall had on their consumer behaviour, retail destination, percentage of shopping now conducted outside the local area, impact on retail expenditure, monthly retail expenditure, monthly retail expenditure at Liberty Promenade, types of commodities purchased at the mall, an indication of commodities not available at the mall, changes in support for other areas, impact of the development of the mall on support for local traders, average transport cost and travelling time, impact of transport costs on retail trips outside the area.

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[76] Note: Weighted Average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Figure 8.18: Impact of Liberty Promenade on Consumer Behaviour

Impact of Liberty Promenade

- My shopping patterns remained unaffected 36.8%
- I visited the local area more for shopping purposes 18.4%
- I shopped less frequently at my previously preferred centres 6.6%
- I never had to shop elsewhere 17.1%
- I shopped less frequently outside the area 21.1%
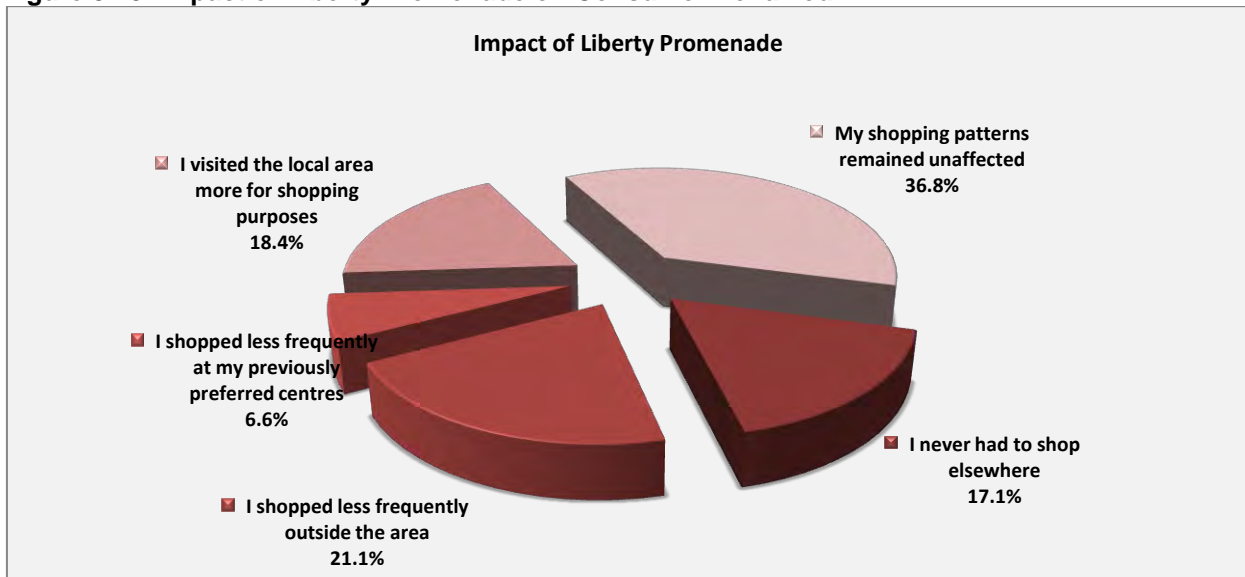
Source: Demacon Household Surveys, 2009

Figure 8.19: Retail Location after Liberty Promenade

After Liberty Promenade Developed - Shopping Distribution

- Other Areas 16.2%
- Somerset West 3.6%
- Cape Town Central 20.7%
- Mitchell's Plain 59.5%
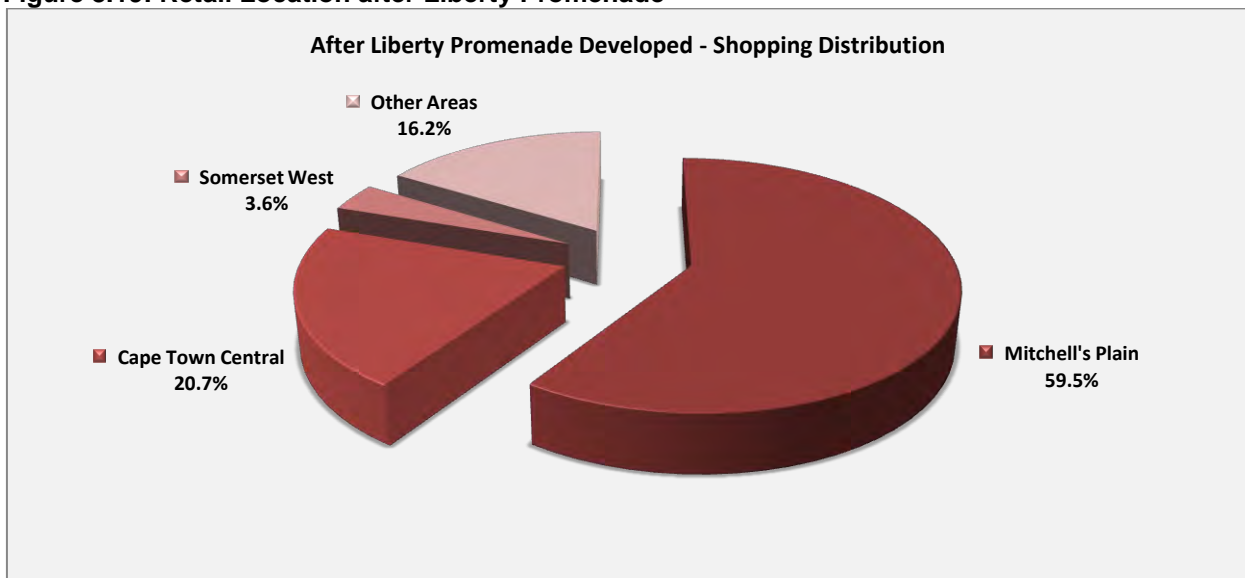
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.18 to 8.20)

✓ The development of Liberty Promenade had a positive impact on consumer behaviour – 21.1% indicated that they now shop less frequently outside the area, 18.4% indicated that they visit the area more for shopping purposes, 17.1% indicated that they never had to shop elsewhere and 6.6% indicated that they shop less frequently at their previously preferred centres. A large segment of 36.8% of respondents however indicated that their shopping patterns had remained unaffected. This reflects moderate levels of consumer elasticity in the market.

✓ The development of Liberty Promenade also had a positive impact on respondents' shopping locations – 59.5% of shopping is now conducted in Mitchell's Plain, 20.7% in Cape Town Central, 16.2% in other areas (Khayelitsha) and 3.6% in Somerset West.

✓ Since the development of Liberty Promenade, the percentage of shopping conducted outside of the local area declined to a weighted average of **40.2%.**

Figure 8.20: After Liberty Promenade – Percentage of Shopping Outside Local Area

After Liberty Promenade Developed, % of Shopping Conducted Outside Local Area

Percentage (%)	Value
91-100%	5.2
81-90%	5.2
71-80%	6.9
61-70%	6.9
51-60%	6.9
41-50%	12.1
31-40%	13.8
21-30%	12.1
16-20%	12.1
10-15%	6.9
6-9%	10.3
0-5%	1.7
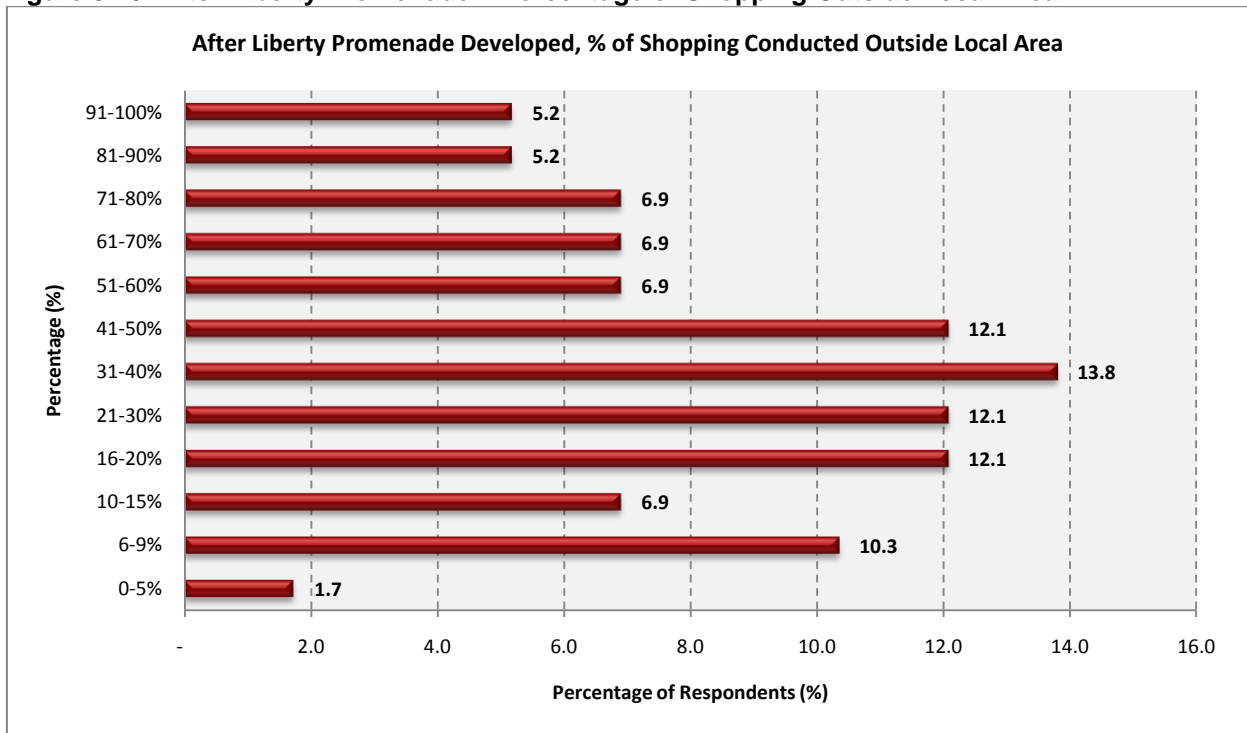
Source: Demacon Household Surveys, 2009

Figure 8.21: Impact of Liberty Promenade on Local Retail Expenditure

Impact of Liberty Promenade on local retail expenditure

- Drastic Increase 15.9%
- Remained unaffected 31.9%
- Slight Increase 52.2%
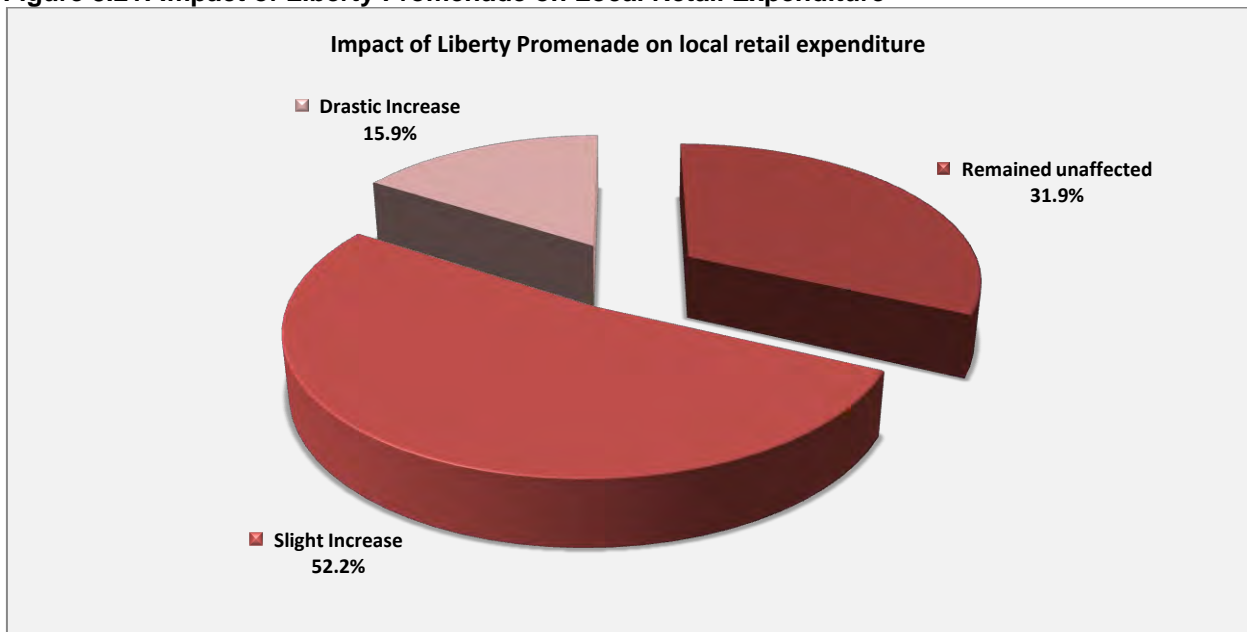
Source: Demacon Household Surveys, 2009

Figure 8.22: Average Monthly Household Retail Expenditure

Monthly Household Retail Expenditure
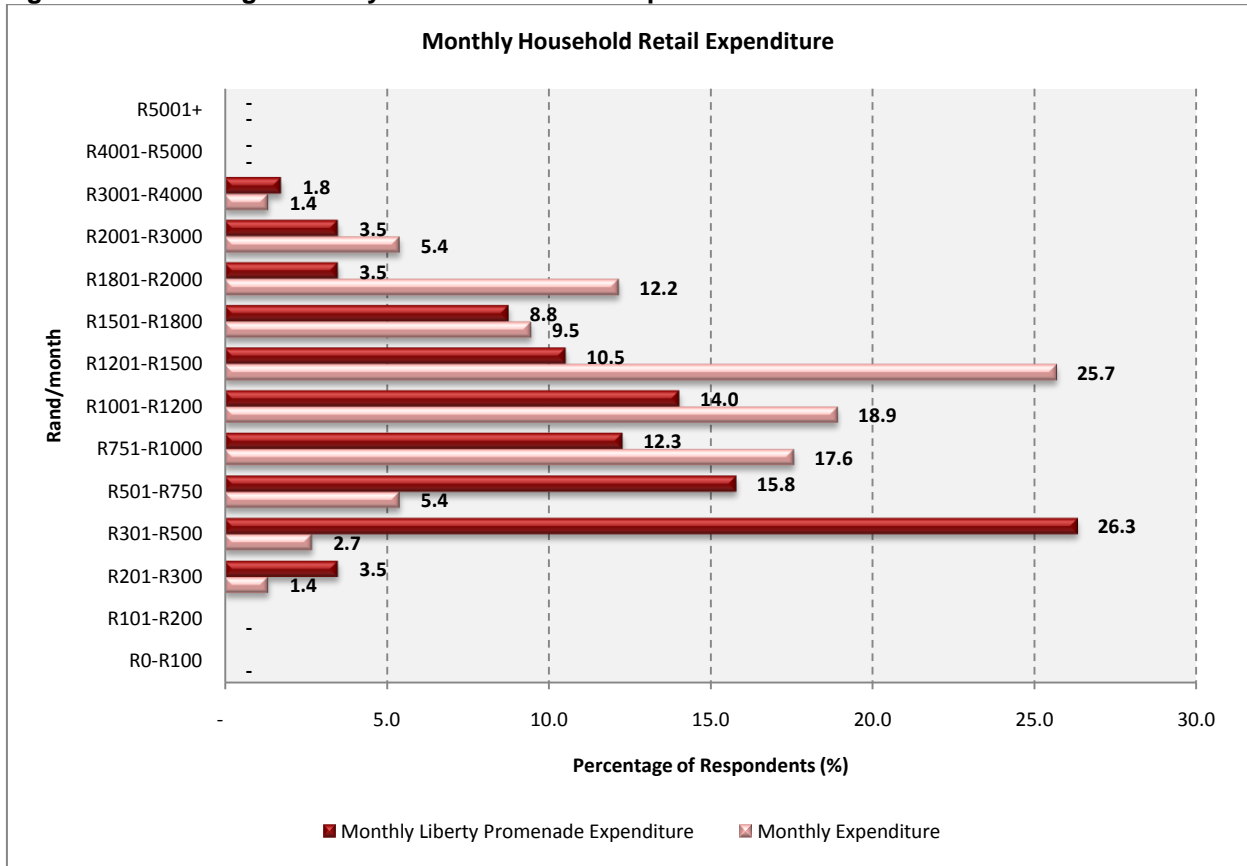
Source: Demacon Household Surveys, 2009

Figure 8.23: Type of Commodities Predominantly Purchased at Liberty Promenade

Types of Commodities Predominantly Puchased at Liberty Promenade
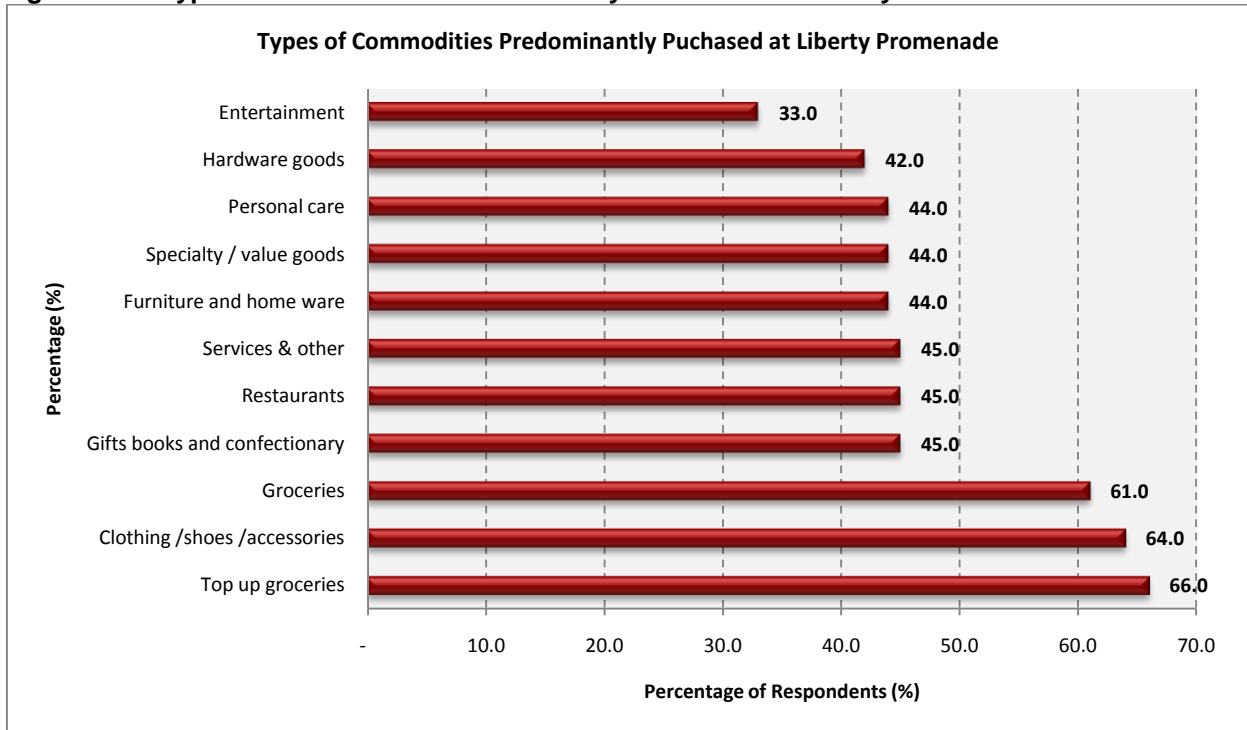
Source: Demacon Household Surveys, 2009

Figure 8.24: Types of Commodities Not Available at Liberty Promenade

Types of Commodities Not Available at Liberty Promenade

- Gifts books and confectionary: 11.0
- Specialty / value goods: 12.0
- Hardware goods: 12.0
- Furniture and home ware: 13.0
- Clothing /shoes /accessories: 15.0
- Top up groceries: 18.0
- Groceries: 22.0
- Personal care: 24.0
- Entertainment: 36.0
- Restaurants: 38.0
- Services & other: 39.4

Percentage (%) — Percentage of Respondents (%)
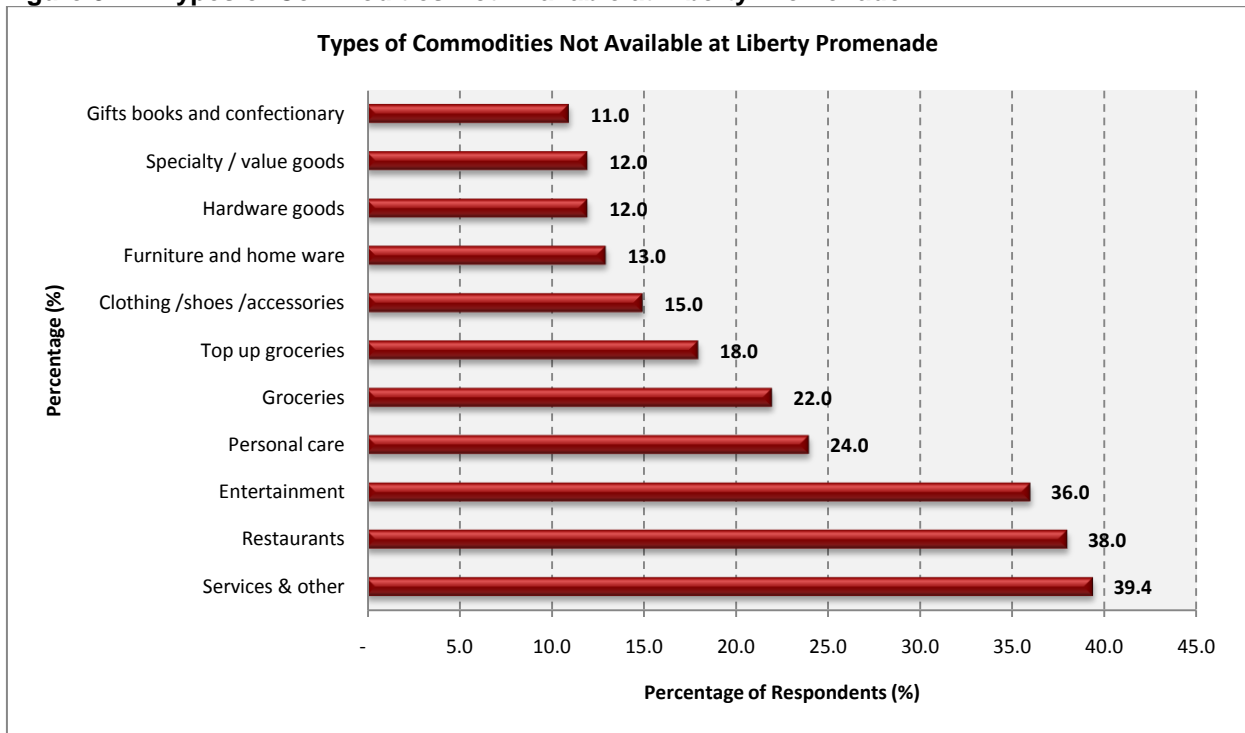
Source: Demacon Household Surveys, 2009

Figure 8.25: Preferred Retail Centres After Liberty Promenade Development

Preferred Retail Centres Supported Most

- Wynberg Mall: 1.0
- Century Centre: 1.0
- Cavendish Square: 1.0
- Central City: 2.1
- Tyger Valley: 3.1
- Kenilworth Centre: 3.1
- N1 City Mall: 4.1
- Sanlam Centre: 4.1
- Claremont: 4.1
- Westgate Mall: 6.2
- Somerset Mall: 6.2
- Cape Town Central: 14.4
- Khayelitsha Mall: 22.7
- Liberty Promenade: 26.8

Percentage (%) — Percentage of Respondents (%)
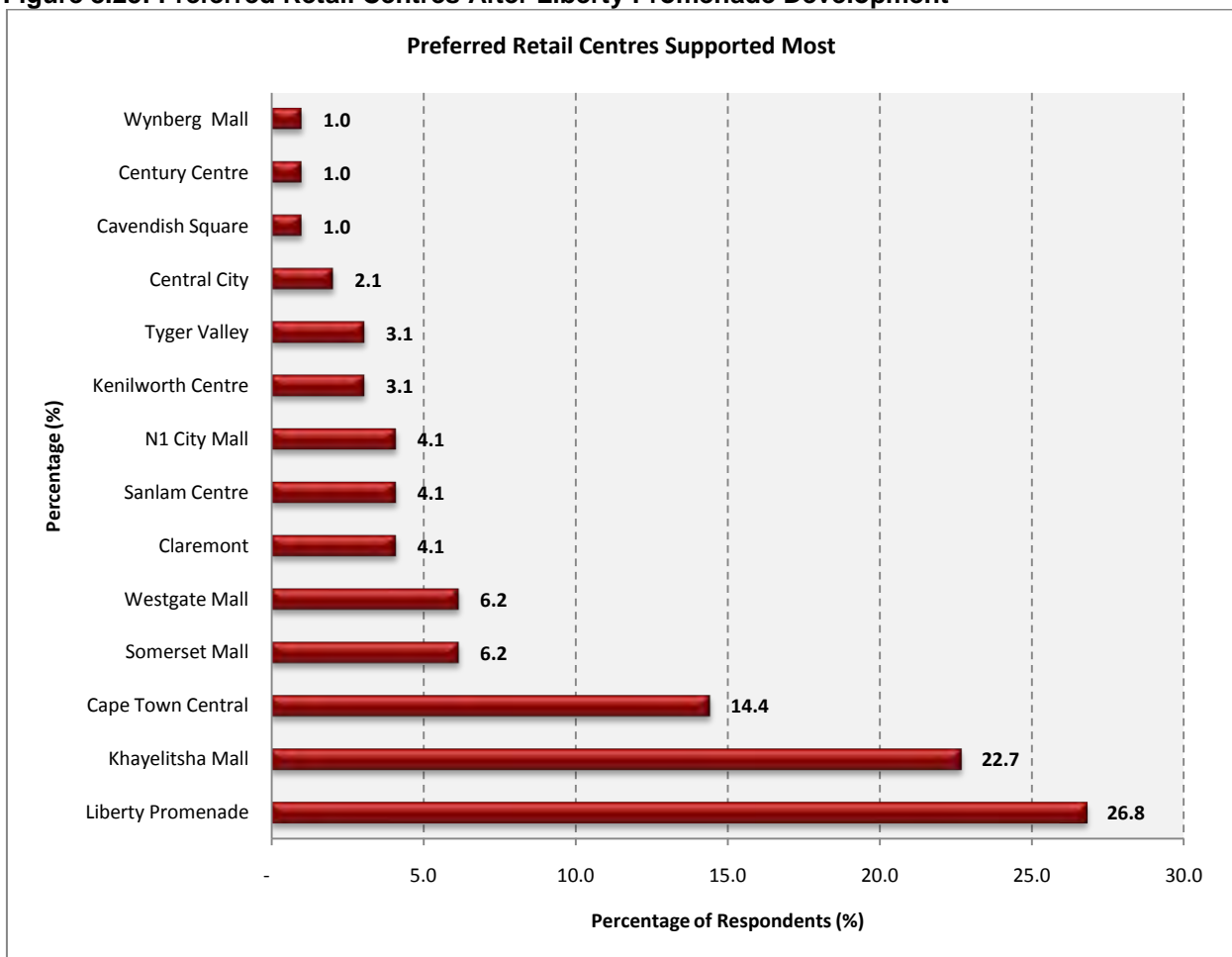
Source: Demacon Household Surveys, 2009

Figure 8.26: Since Development of Liberty Promenade - Support for Previously Preferred Retail Centres

Support towards previously preferred Retail Centres

■ Yes
84.2%

■ No
15.8%
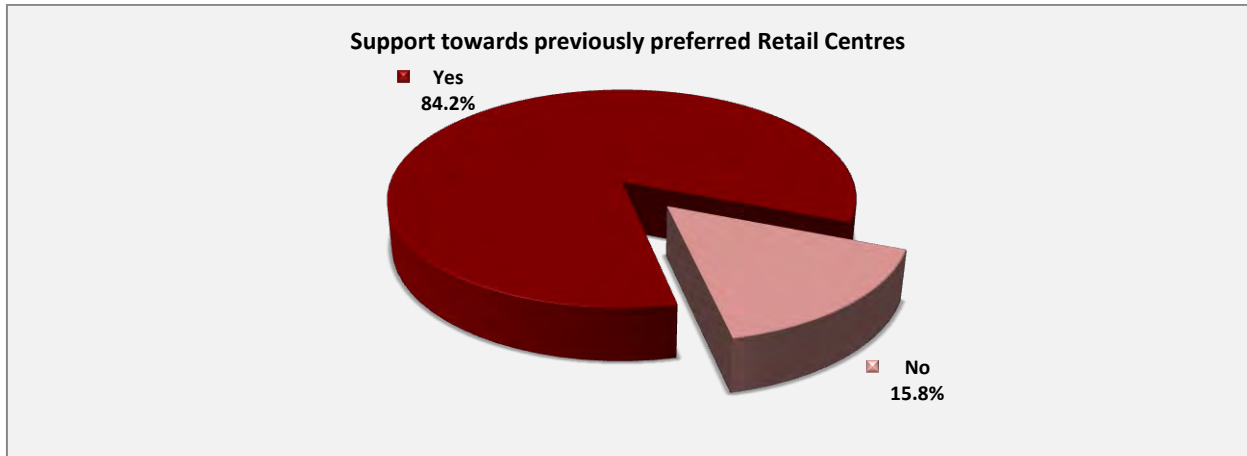
Source: Demacon Household Surveys, 2009

Figure 8.27: Reasons for Support Towards These Centres

Reasons for support towards these centres

Reason	Percentage
Less Crowded	1.6
Specific Clothing Stores	1.6
Local Support	2.2
Entertainment	2.7
Art Works	2.8
Accessible	4.4
Good Service	4.7
Wider Variety	7.8
More Affordable	11.0
Safer	11.0
Convenient	12.6
Promixty to Home	37.7

Percentage (%)

Percentage of Respondents (%)
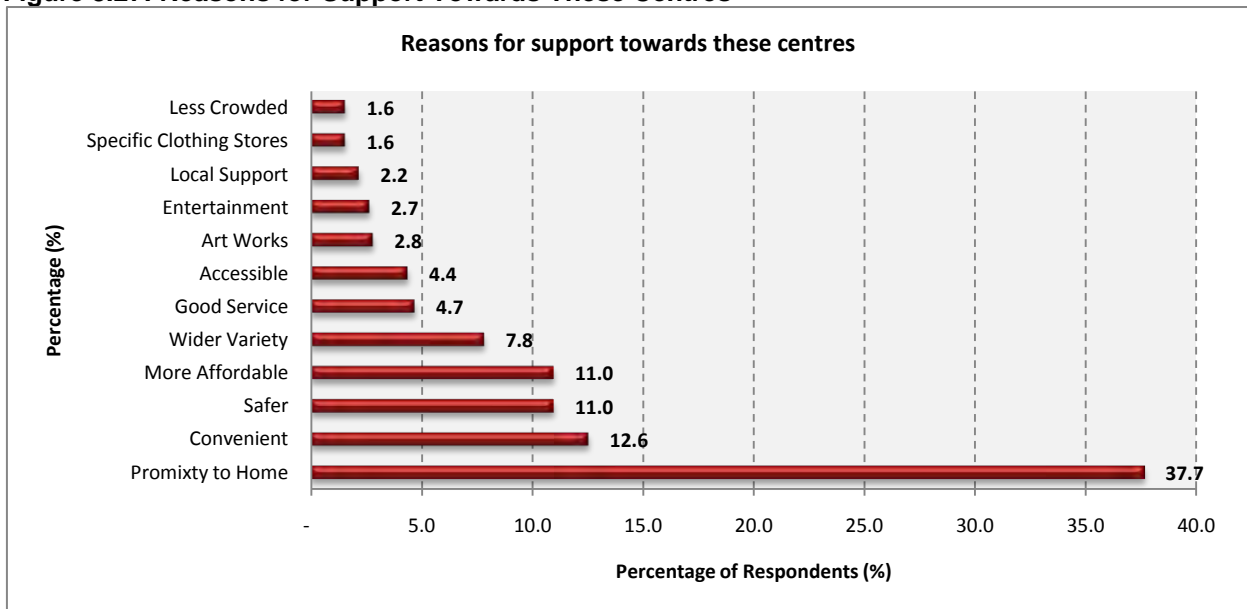
Source: Demacon Household Surveys, 2009

Figure 8.28: After Liberty Promenade, What Percentage of Shopping is Conducted at Local Traders

After Liberty Promenade - Percentage of Shopping at Local Traders

Percentage	Value
More than 50%	-
41-50%	15.4
31-40%	9.6
21-30%	7.7
16-20%	5.8
10-15%	7.7
6-10%	48.1
0-5%	5.8

Percentage (%)

Percentage of Respondents (%)

Source: Demacon Household Surveys, 2009

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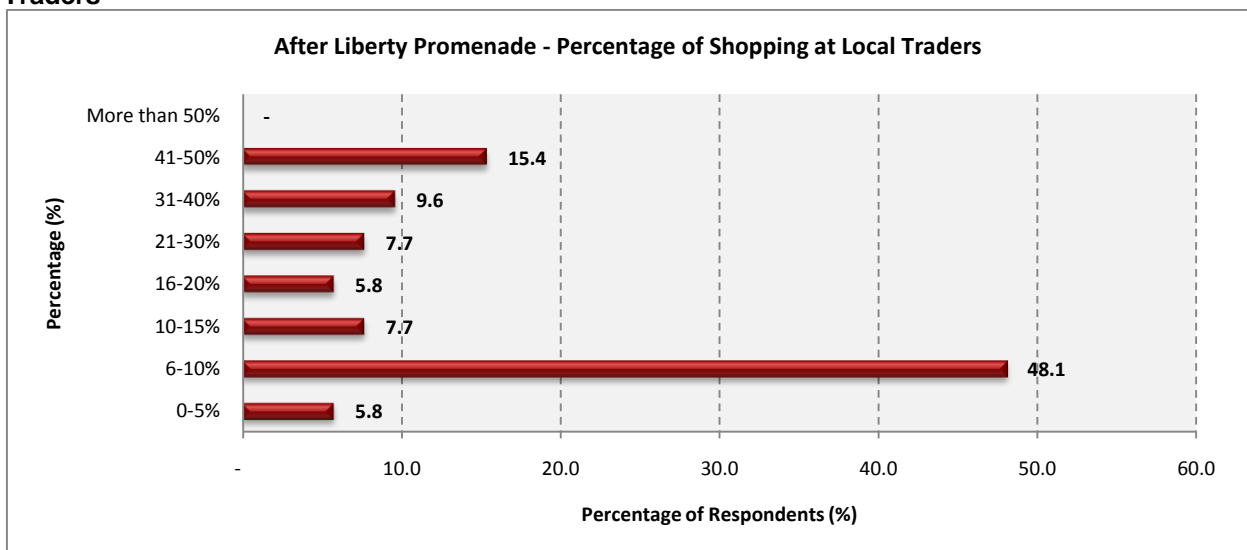
Figure 8.29: Impact of Liberty Promenade on Local Trader Support

Impact of Liberty Promenade on Support towards Local Traders

- Large Decline 2.8%
- Increased 19.4%
- Small Decline 44.4%
- Remained the Same 33.3%
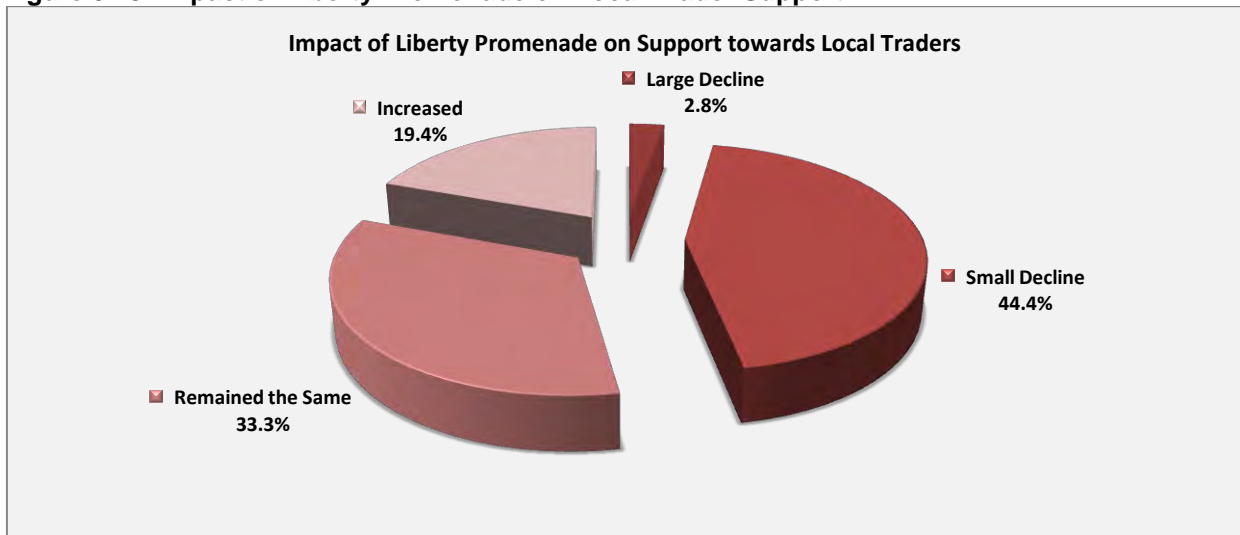
Source: Demacon Household Surveys, 2009

Figure 8.30: General Trends Pertaining to Local Traders After Development of Liberty Promenade

What happened to Local Traders

	Yes	No
Local businesses relocated to the Centre	2.5	97.50
A decline in informal traders took place	3.0	97.00
Local businesses relocated closer to the Centre	4.0	96.00
Movement of informal traders to locations closer to the Centre	5.0	95.00
Local businesses closed down	6.0	94.00
Everything remained the same as before	58.3	41.70
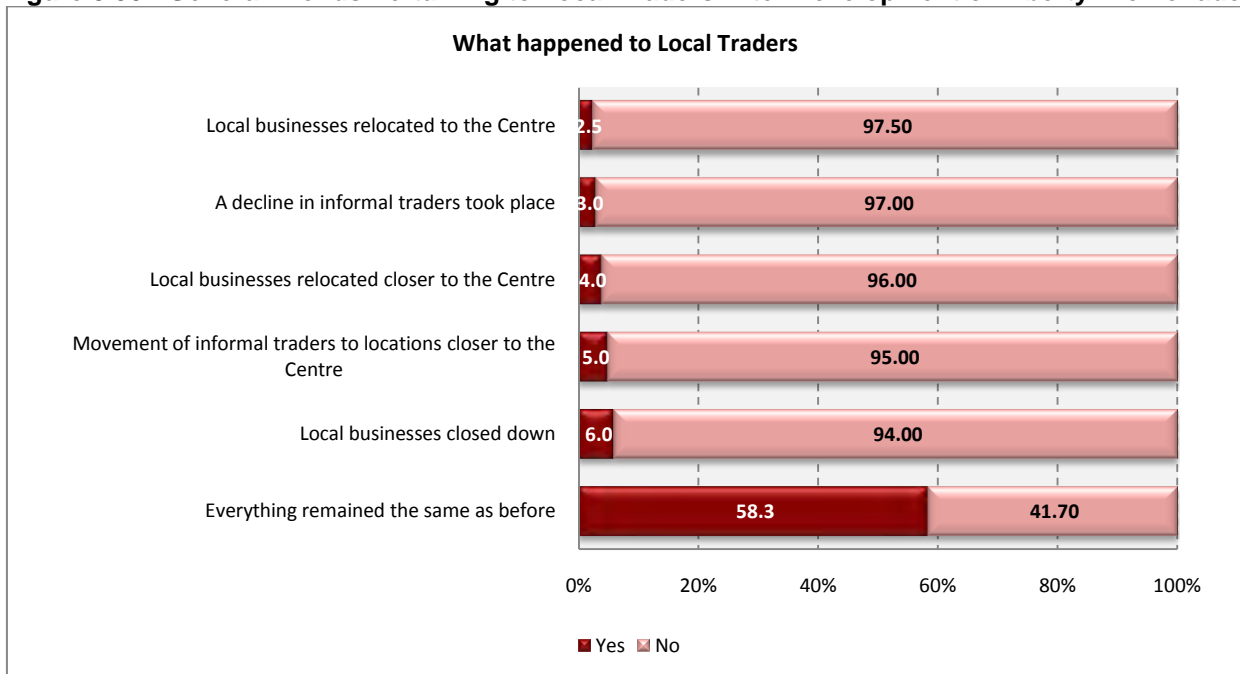
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.20 to 8.31)

✓ The development of Liberty Promenadehad a slight impact on local retail expenditure (52.2%).

✓ A large segment of respondents however, indicated that the development of the mall had no real impact on their local retail expenditure (31.9%), whereas a small segment (15.9%) indicated that it had a drastic positive impact on local retail expenditure.

✓ The largest segment of households indicated that they spend between R751 and R1 500 on monthly shopping – 62.2%, this is followed by 28.4% indicating amounts between R1 500 and R4 000 a month and only 9.5% reflecting amounts below R751. The average weighted amount spent on shopping is **R1 321.78**.

✓ The majority of respondents also indicated that they spend between R300 and R1 200 per month at Liberty Promenade – 68.4%, supported by 17.5% indicating expenditures of

R1 200 to R4 000 at Liberty Promenade and a mere 3.5% indicating amounts below R300 per month. The average weighted monthly amount spent at Liberty Promenade is **R973.30**

✓ In terms of the types of commodities it is largely purchased at Liberty Promenade, the following categories prevail – top-up groceries, clothing and shoes, monthly groceries, gifts, books and confectionary, restaurants and services.

✓ In terms of the type of commodities not available at Liberty Promenade the following categories prevail: services, restaurants, entertainment and to a lesser extent personal care and groceries.

✓ Respondents also indicated their preferred retail centres after the development of Liberty Promenade – Liberty Promenade (26.8%), Khayelitsha Mall (22.7%), Cape Town Central (14.4%), Somerset Mall (6.2%), Westgate Mall (6.2%) and to a lesser extent Claremont, Sanlam Centre, N1 City Mall, Kenilworth Centre, Tygervalley Mall, Central City, Cavendish Square and Wynberg Mall.

✓ 84.2% of respondents indicated that they still support their previously preferred retail centres after the development of Liberty Promenade.

✓ The dominant reasons for respondents' continued support for previously preferred retail centres are: proximity to their homes, convenience, safety, more affordability, a greater variety of shops, good service, better accessibility, more entertainment, the desire to visit specific shops and the fact that the centre in question is less crowded than Liberty Promenade.

✓ Since the development of Liberty Promenade, the majority of respondents conduct between 6% and 10% of shopping at local traders – 48.1%, 5.8% conduct less than 6% of shopping at local traders and 38.5% conduct more than 10% of shopping at local traders. The weighted average support for local traders amounts to **18.4%.**

✓ Overall, the development of Liberty Promenade has resulted in a slight decline in support for local traders **(44.4%),** followed by **33.3%** of respondents indicating that support remained the same, 19.4% indicated an increase in support and 2.8% indicated a large decline.

✓ In terms of changes to the local trader environment the following were found:
  • The majority indicated that everything remained the same – 58.3%;
  • 6.0% indicated a closure of local businesses;
  • 5.0% indicated a movement of informal traders to locations closer to the mall;
  • 4.0% indicated a movement of local businesses closer to the mall;
  • 3.0% indicated a decline in informal traders;
  • 2.5% indicated a movement of local businesses to the mall.

✓ In terms of the travel fares to Liberty Promenade it is evident that the majority of respondents pay between R11 and R15 for a round trip – 47.3%, followed by 32.4% of respondents indicating that they pay less than R10 for a round trip. The average weighted travel fare for a round trip to Liberty Promenade is **R11.60.**
  It is important to note that the development of Liberty Promenade had a slightly negative impact on the cost of transport to formal retail centres. Before Liberty Promenade 20.0% of respondents paid more than R15 taxi / bus fares to reach a formal retail centre. After the development of Liberty Promenade this percentage increased to 23.1%.

✓ In terms of travel fares to the closest town; the majority of respondents indicated that they pay between R16 and R20 for a round trip – 36.6%, followed by 35.2% indicating that they pay between R16 and R40 and 27.1% indicated that they spend less than R16 for a round trip. The average weighted fares for a round trip to the closest town amount to **R19.2.**

✓ In terms of travel fares to local traders; the majority of respondents indicated that they pay less than R10 for a round trip – 51.9%, followed by 44.4% indicating that they pay between R11 and R20 and 3.7% indicating costs of between R21 and R30. The average weighted travel fares to local traders amount to **R10.4.**

Figure 8.31: Average Taxi/Bus Fares

Transport Costs
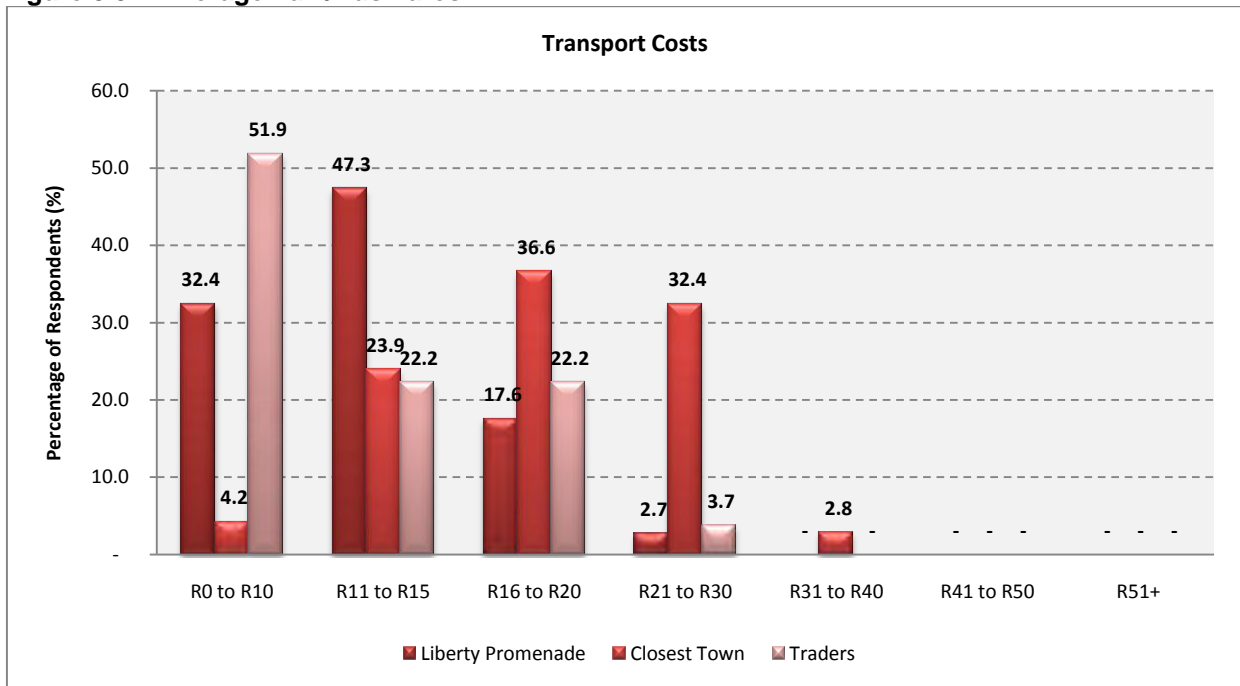
Source: Demacon Household Surveys, 2009

Figure 8.32: To What Extent Do Higher Transport Fares Deter you from Buying Outside the Local Area?

Transport fares deterrent to buyin outside?

- Slight Deterrent 48.2%
- Significant Impact 17.9%
- No Deterrent 33.9%
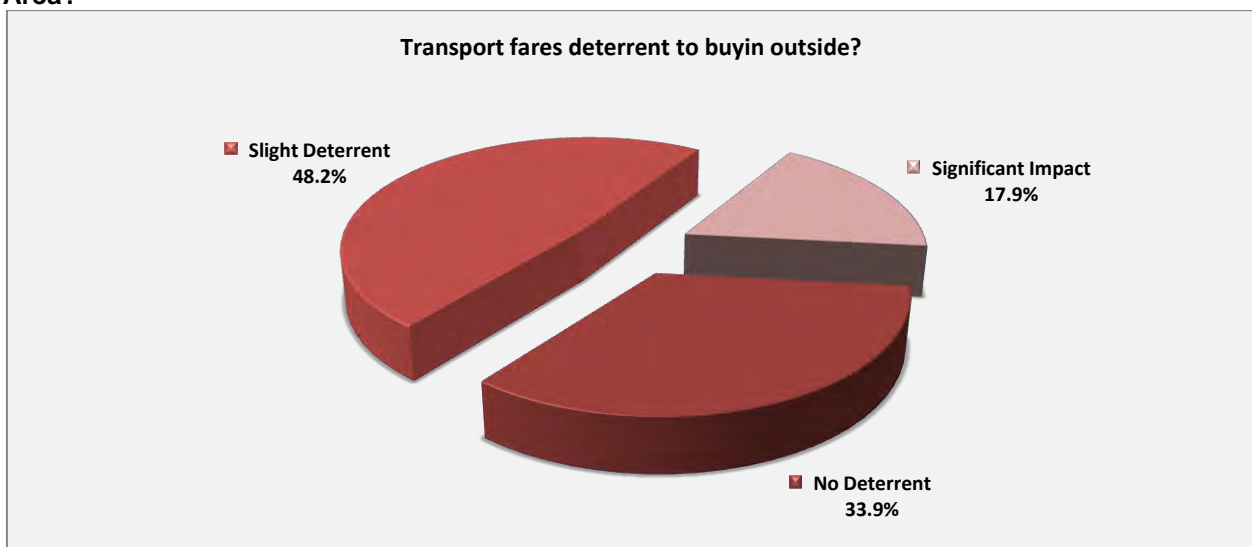
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.32 and 8.33)

✓ The majority of respondents indicated that transport fares represent a slight deterrent to their shopping outside of the area – **48.2%.** A segment of 33.9% indicated that they do not represent a deterrent at all and a smaller segment of 17.9% indicated that they represent a significant deterrent.

✓ The majority of respondents indicated that for transport fares of less than R10 for a round trip they would support shopping outside the area – 77.6%. This is followed by 20.4% of respondents indicating an amount between R11 and R20 and 2.0% indicating amounts between R21 and R30. The average weighted transport fares promoting shopping outside the area amount to **R9.10** for a round trip.

Overall, it is evident that transport fares in themselves do not represent a dominant determining factor as to whether people will conduct retail expenditure outside of the local area. Increased transport costs of 10% will not necessarily result in a 10% increase in local retail expenditure. In general, consumers are willing to pay higher transport fares to reach larger centres such as a CBD with a wider product offering. Say, for example, they are willing to pay R10 to reach a larger retail centre (double the transport fares to a closer smaller retail centre), however, they will reconsider this retail location preference if transport fares escalates to R30 for a round trip. Overall, it is therefore evident that transport fares do not represent the dominant retail location factor, but thatlocal product offering and critical mass are more important.

Figure 8.33: Transport Fares That Would Support Shopping Outside the Area
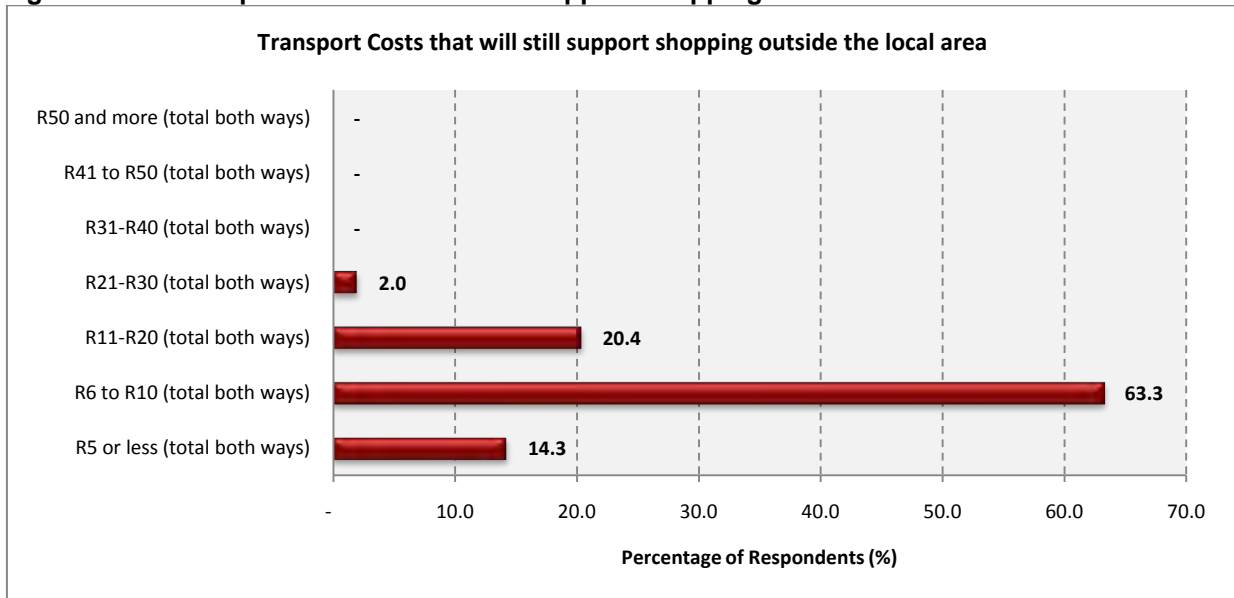
Source: Demacon Household Surveys, 2009

Figure 8.34: Average Travel Time
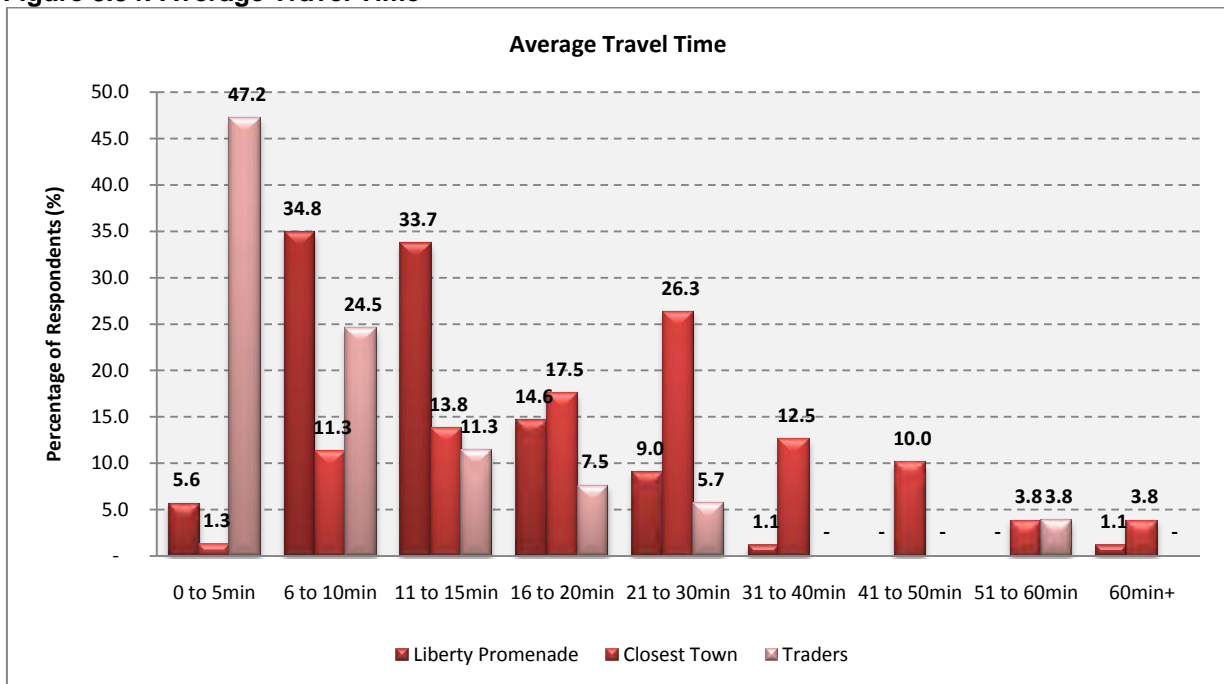
Source: Demacon Household Surveys, 2009

Findings: (Figure 8.34)

✓ The average travel time to Liberty Promenade – the largest segment of respondents indicated travel times of between six and 10 minutes – 34.8%, followed by 11 to 15 minutes (33.7%), 16 to 20 minutes (14.6%) and 21 to 30 minutes (9.0%). The average weighted travel time to Liberty Promenade amount to **12.6 minutes**.

It is important to note that the development of Liberty Promenade had a positive impact on travel times to formal retail centres. Before the development of Liberty Promenade, 48.5% of respondents travelled for fewer than 15 minutes to reach a formal retail centre. After the development of Liberty Promenade this percentage increased to a total of 74.1%.

✓ The majority of respondents indicated average travel times of 21 to 30 minutes to the closest town – 26.3%, this is followed by 17.5% indicating travel times between 16 and 20 minutes, 13.8% between 11 and 15 minutes, 12.6% below 10 minutes. A relatively large segment of 30.1% indicated travel times exceeding 30 minutes. The average weighted travel time to reach the closest town amount to **24.0 minutes.**

✓ The majority of respondents indicate average travel times below five minutes to reach local traders – 47.2%, this is followed by 24.5% indicating travel times of between six and 10 minutes, 18.8% indicating travel times between 11 and 20 minutes. The average weighted travel time amounts to **9.9 minutes**.

8.4.4 FREQUENCY OF VISITS AND DWELL TIME

Subsequent paragraphs provide information on the changes in visits to Liberty Promenade over the past year, the main purpose of visits to Liberty Promenade, the time preferred to conduct shopping and entertainment and average dwell time on a typical visit.

Figure 8.35: Changes to Visits Over Past Year
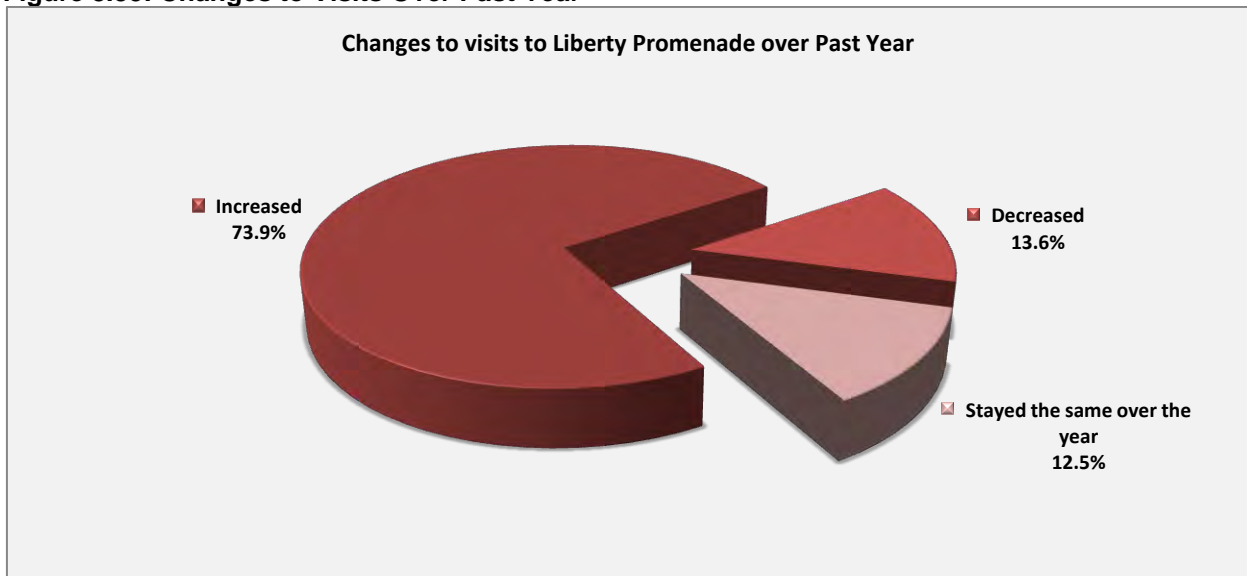
Source: Demacon Household Surveys, 2009

Figure 8.36: Main Purpose for Visiting Liberty Promenade

Main Purpose for Visiting Liberty Promenade
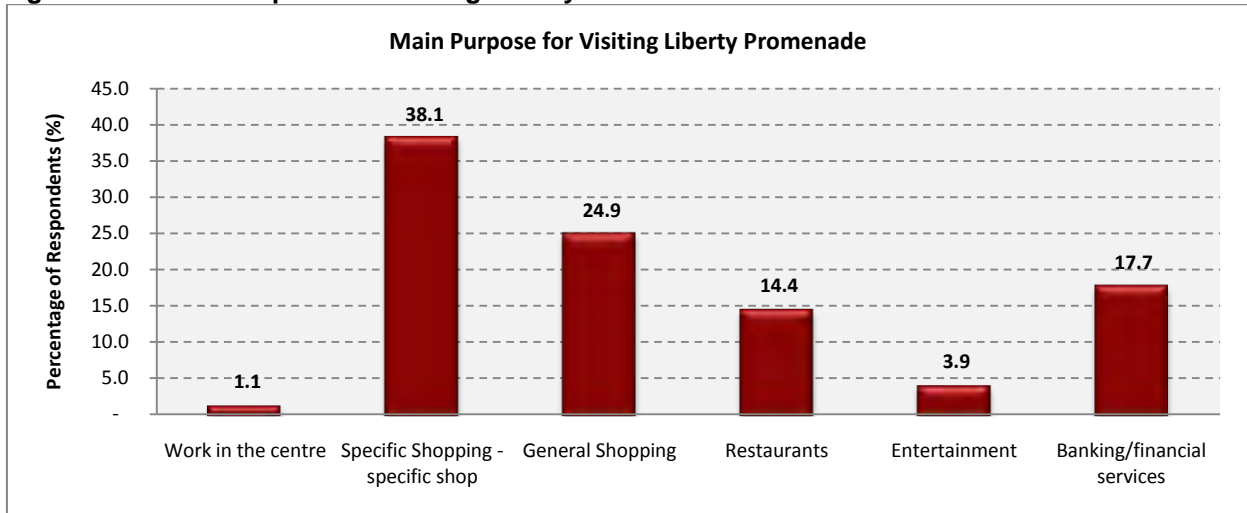
Source: Demacon Household Surveys, 2009

Figure 8.37: Preferred Time of the Day

Time of Day
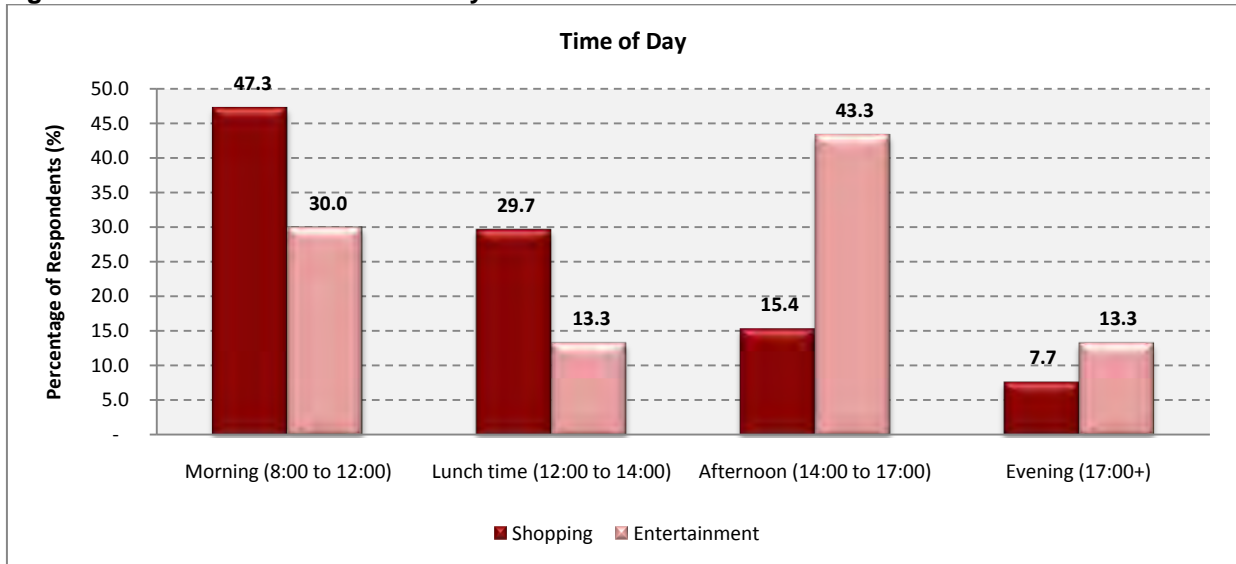
Source: Demacon Household Surveys, 2009

Figure 8.38: Average Dwell Time on Typical Visit

Average Dwell Time
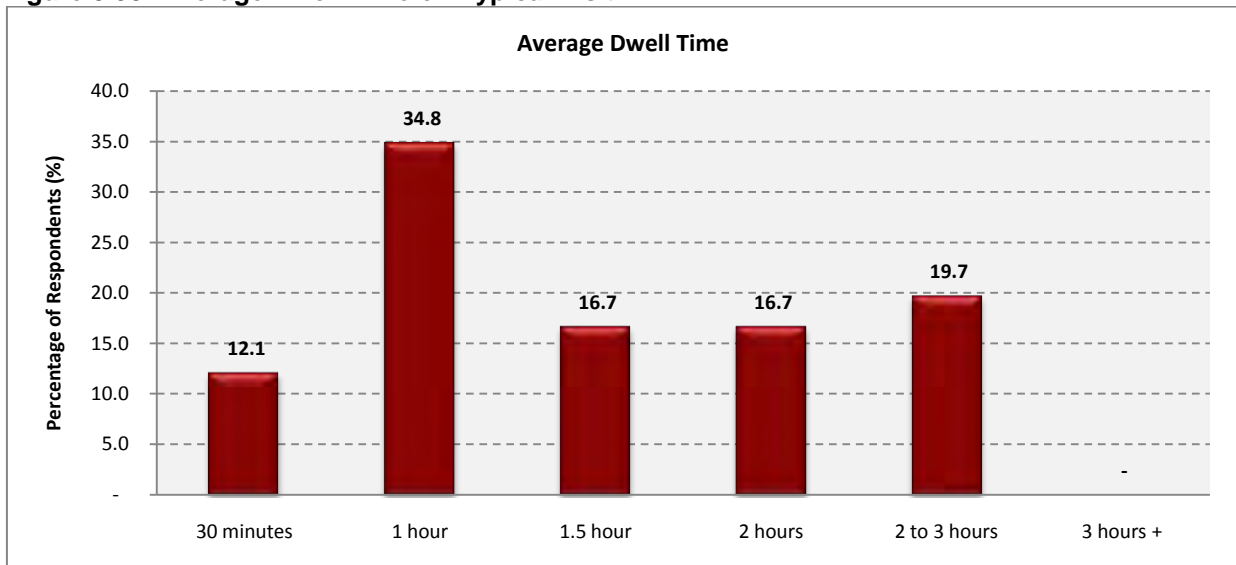
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.35 to 8.38)

✓ The majority of respondents indicated that their visits to Liberty Promenade have increased over the past year – 73.9%, 12.5% indicated that their visits remained the same and 13.6% indicated that they declined.

✓ The main purpose for visiting Liberty Promenade is for visits to specific shops – 38.1%, followed by general shopping (24.9%), banking and financial services (17.7%), restaurants (14.4).

✓ The preferred time of the day to shop at the mall is during the morning (47.3%), over lunch time (29.7%), afternoon (15.4%) and evenings (7.7%).

✓ The preferred time of the day to visit the centre for entertainmentis in the afternoon (43.3%), mornings (30.0%), lunch time and evenings (13.3% respectively).

✓ The average dwell time is mainly one hour – 34.8%, followed by 33.4% indicating dwell times of between 1.5 and two hours and 19.7% indicating dwell times of between two and three hours.

8.4.5 SATISFACTION WITH LIBERTY PROMENADE

Subsequent paragraphs rate the overall level of satisfaction in terms of a list of centre aspects, supported by an indication of aspects that should be addressed to attract more consumers. They also look at provision made for informal trade.

Figure 8.39: Overall Level of Satisfaction With Liberty Promenade
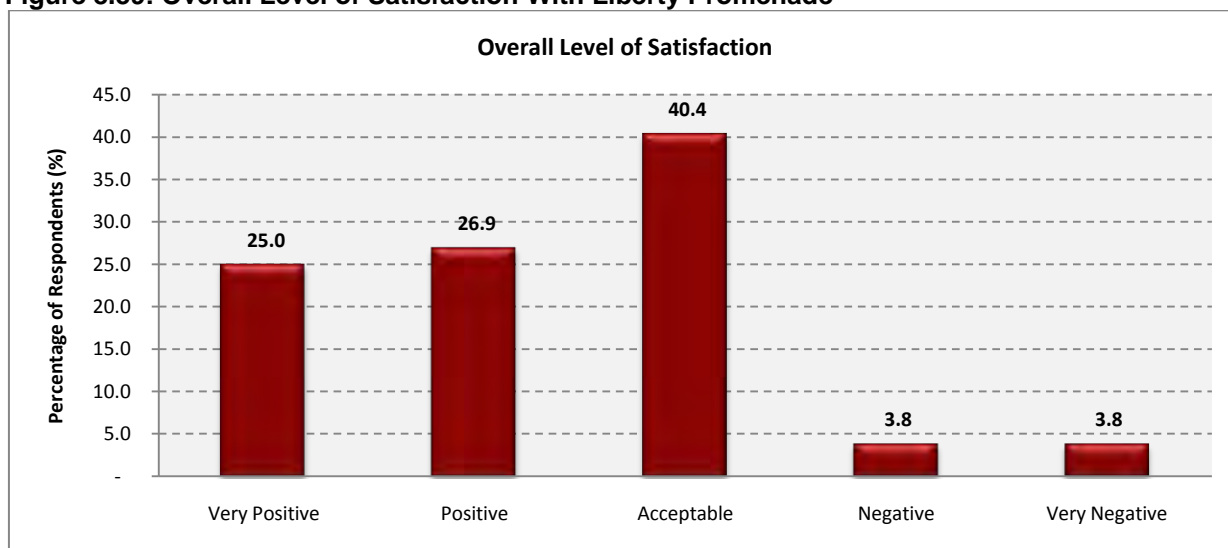
Source: Demacon Household Surveys, 2009

The majority of respondents indicated that they regard Liberty Promenade as an acceptable retail centre, supported by 26.9% of respondents indicating that they are satisfied and 25.0% indicated that they are more than satisfied with Liberty Promenade as retail centre. A mere 7.6% indicated negative levels of satisfaction.

Table 8.6: Rating of Liberty Promenade Elements

	Rating					Total
	1	2	3	4	5	
TENANT MIX						
Overall image of the centre	-	2.3	19.3	27.3	**51.1**	100.0
Variety of stores	-	3.5	12.9	**51.8**	31.8	100.0
Presence of local stores/tenants	-	2.5	13.8	**47.5**	36.3	100.0
Presence of national tenants	-	-	17.7	**48.1**	34.2	100.0
Location of stores in relation to each other	1.2	1.2	11.1	**55.6**	30.9	100.0
Clothing store selection and availability	-	-	15.8	**50.0**	34.2	100.0
Convenience services selection and availability	1.4	1.4	27.0	**45.9**	24.3	100.0

	Rating					Total
	1	**2**	**3**	**4**	**5**	
Books / cards / stationery shop selection and availability	1.3	2.7	24.0	**53.3**	18.7	100.0
Entertainment and restaurant selection and availability	2.6	7.7	25.6	**46.2**	17.9	100.0
Health and beauty selection and availability	1.4	2.8	31.0	**42.3**	22.5	100.0
Home furnishing and furniture selection and availability	-	1.4	26.4	**48.6**	23.6	100.0
Bank / ATM location and selection	1.3	2.6	24.4	**48.7**	23.1	100.0
Availability and selection of speciality shops	-	4.5	23.9	**43.3**	28.4	100.0
PARKING AND ACCESS						
Convenience of the centre's location within the area	-	4.2	26.4	**47.2**	22.2	100.0
Transport to the centre	-	7.1	21.4	**50.0**	21.4	100.0
Link to public transport – taxi/bus ranks	-	12.5	12.5	**50.0**	25.0	100.0
Accessibility of parking	-	7.6	27.8	**44.3**	20.3	100.0
Adequacy of parking	1.3	3.8	31.3	**45.0**	18.8	100.0
Ease of access to the entrance of the centre from parking	-	6.4	29.5	**48.7**	15.4	100.0
FACILITIES						
Adequacy / quality of bathroom facilities	-	3.8	13.8	**50.0**	32.5	100.0
Adequacy of disability facilities	-	5.2	15.6	**58.4**	20.8	100.0
Availability of information kiosks and staff	-	5.2	19.5	**45.5**	29.9	100.0
Sufficiency of lifts / escalators	-	12.3	23.3	**43.8**	20.5	100.0
Availability of mall layout plans and centre signage	1.4	8.7	14.5	**47.8**	27.5	100.0
CLEANING						
The overall cleanliness of the centre	-	3.4	5.7	38.6	**52.3**	100.0
MAINTENANCE						
The overall maintenance of the centre	-	4.8	8.4	**44.6**	42.2	100.0
SECURITY						
Safety in the shopping centre and parking area	2.2	5.6	19.1	32.6	**40.4**	100.0
LANDSCAPING AND AESTHETICS						
Overall design and features of the centre	-	1.3	7.9	43.4	**47.4**	100.0

Source: Demacon Household Surveys, 2009

Findings: (Table 8.6)

✓ It is evident that the majority of tenants are satisfied with the tenant mix of Liberty Promenade – they rated it as good. However, aspects that could be improved include the health and beauty selection, convenience services, home furnishing and furniture, entertainment and restaurants, book and gift stores.

✓ The majority of respondents also rated the parking facilities as good. Aspects that can be improved include more parking bays and the ease of access to the entrance of the centre from the parking areas.

✓ In terms of public facilities, the majority of respondents rated these as good.

✓ The overall cleanliness, maintenance, landscaping and aesthetics of the mall are rated as good to excellent by the majority of respondents.

Findings: (Figures 8.40 and 8.41)

✓ The dominant perceived aspects that should be addressed include:
  • Improve centre security;
  • More restaurants and entertainment;
  • More upmarket tenants;
  • More affordable tenants;
  • More fashion;
  • More open air facilities;
  • Increase the size of the centre;
  • More parking.
✓ The majority of respondents also indicated that provision is made for informal traders.

Figure 8.40: Perceived Aspects That Should Be Addressed to Attract More Consumers

Aspects to be addressed to attract more consumers

Aspect	Yes	No
External Face Lift	30.8	69.2
Improve Storefronts	33.8	66.2
Change Branding	35.1	64.9
Configuration / layout	37.3	62.7
Aesthetics / internal design face lift	48.0	52.0
More home ware	51.3	48.7
Modernise ablution facilities	52.5	47.5
Improve Centre Legibility (internal signage)	55.4	44.6
More Parking	58.0	42.0
Increase size of the centre	59.7	40.3
More open air facilities – open squares	62.7	37.3
More fashion	63.8	36.3
Tenanting – more affordable tenants	69.5	30.5
Tenanting – more upmarket tenants	69.9	30.1
More restaurants and entertainment	71.3	28.7
Improve Centre Security	71.8	28.2

Source: Demacon Household Surveys, 2009

Figure 8.41: Provision Made for Informal Traders

Provision for Informal Traders

Yes
72.7%

No
27.3%
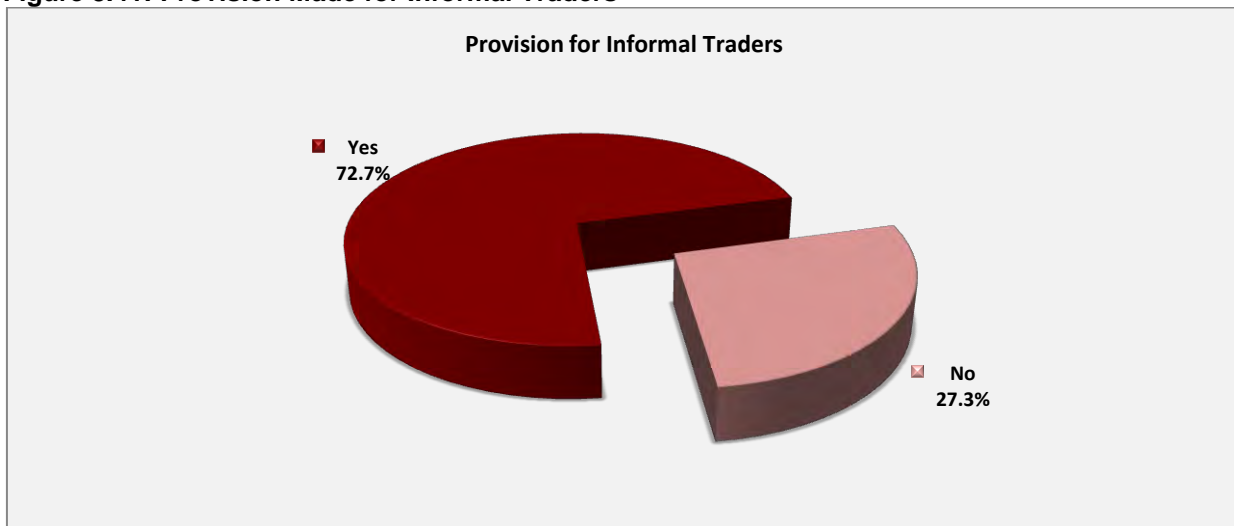
Source: Demacon Household Surveys, 2009

8.4.6   NEED TO EXPAND LIBERTY PROMENADE

Consumers indicated the perceived need to expand Liberty Promenade, showing the primary emphasis of the extension.

Figure 8.42: Perceived Need to Expand Liberty Promenade
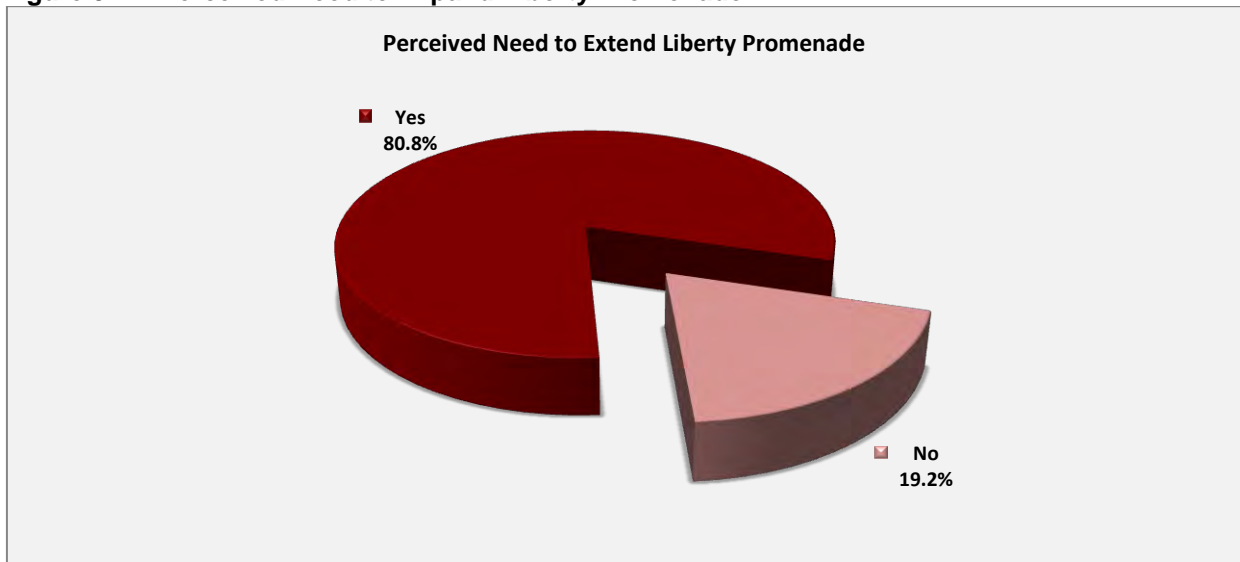
Source: Demacon Household Surveys, 2009

Figure 8.43: Preferred Primary Emphasis of Extension
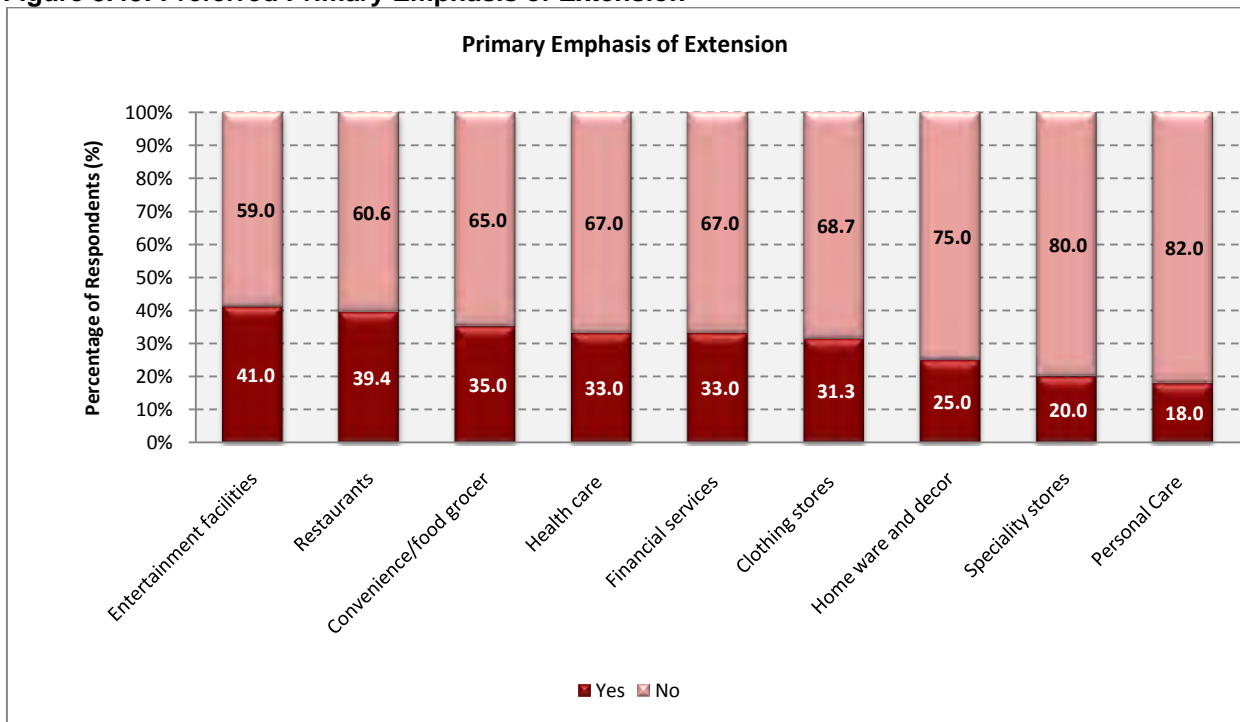
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.42 and 8.43)

- ✓ The majority of respondents indicated a perceived need to extend Liberty Promenade – **80.8%**
- ✓ The preferred primary emphasis of this extension should be on entertainment, restaurants, convenience/food grocer, health care and financial services.

8.4.7   OVERALL IMPACT OF LIBERTY PROMENADE

Consumers gave feedback on the overall impact that the development of Liberty Promenade had locally.

Figure 8.44: Overall Impact of Liberty Promenade

Overall Impact of Liberty Promenade

Category	Yes	No
Overall the centre improved the convenience of conducting shopping locally	78.0	22.0
The centre offers a safe and secure retail destination	79.0	21.0
The centre provides more affordable goods and services locally	79.0	21.0
The centre offers higher levels of credit to the local community	79.8	20.2
The centre provides quality goods and services locally	80.0	20.0
The centre provide a variety of goods and services to choose from locally	80.0	20.0
The centre reduced the average travel time	82.0	18.0
The centre reduced local travel costs	83.0	17.0

Source: Demacon Household Surveys, 2009

Findings: (Figure 8.44)

The development of Liberty Promenade resulted in the following dominant impacts:

1. The centre reduced travel costs;
2. The centre reduced average travel time;
3. The centre provides quality goods and services locally;
4. The centre provides a variety of goods and services to choose from locally;
5. The centre offers higher levels of credit to the local community.

8.4.8   LIVING STANDARD AND AVERAGE ANNUAL INCOME

Consumers indicated changes that took place in their living standard over the past five to 10 years, supported by an indication of monthly household income and contributions from remittances and social grants.

These factors provide important base information regarding household income, sources of income and changes affecting the overall level of disposable income. In general, changes in these aspects have a direct impact on changes in living standards. These changes in living standards are therefore not directly linked to the development of Liberty Promenade, but are also influenced by an array of factors listed below.

Figure 8.45: Changes in Living Standards – 5 to 10yrs
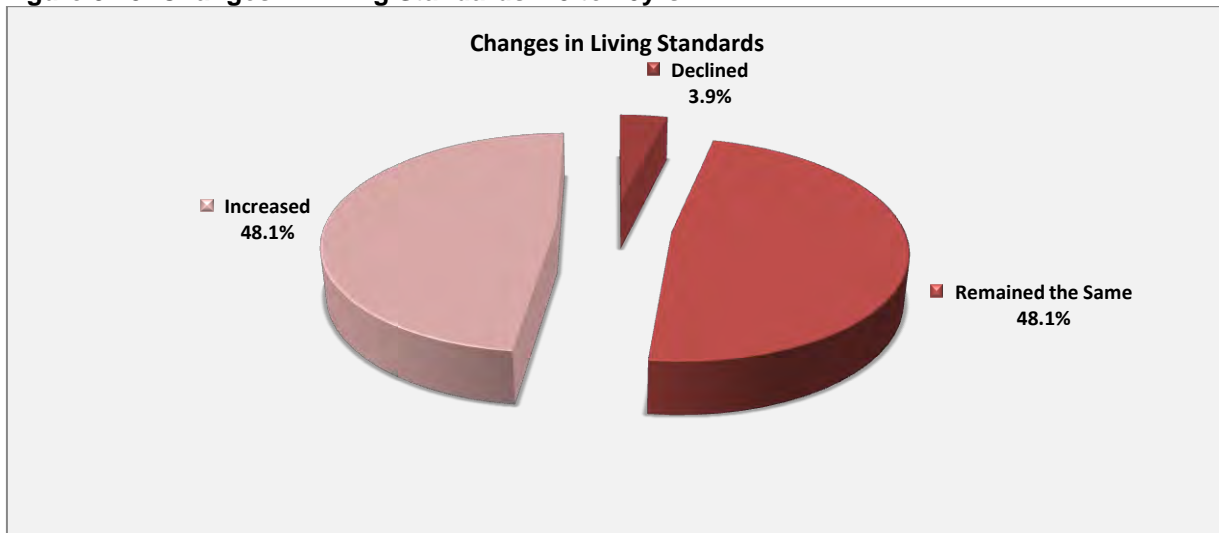
Source: Demacon Household Surveys, 2009

Findings: (Figures 8.45 to 8.46)

✓ An evenly sized proportion of respondents indicated that their living standard remained the same or improved over the past five to 10 years – 48.1% respectively.

✓ These changes can largely be ascribed to new developments and general upgrades in the area improving access to services and infrastructure.

✓ The weighted average monthly household income amounts to **R5 507.85.**

✓ In terms of remittances it was indicated that **10.0%** of respondents obtain a certain percentage of their income from remittances. 80.0% of these respondents receive remittances making up 10% to 20% of their monthly incomes, 10% indicated that remittances make up 40% of their monthly incomes and 10% indicated that they make up 100% of their income.

✓ 10.1% of respondents also indicated that a certain portion of their income originates from the social grant system. 90.0% of these respondents obtain social grants constituting 10% to 20% of their monthly income and 10.0% indicated that 50.0% of their monthly income is obtained from social grant system.

Figure 8.46: Average Monthly Household Income Before Deductions
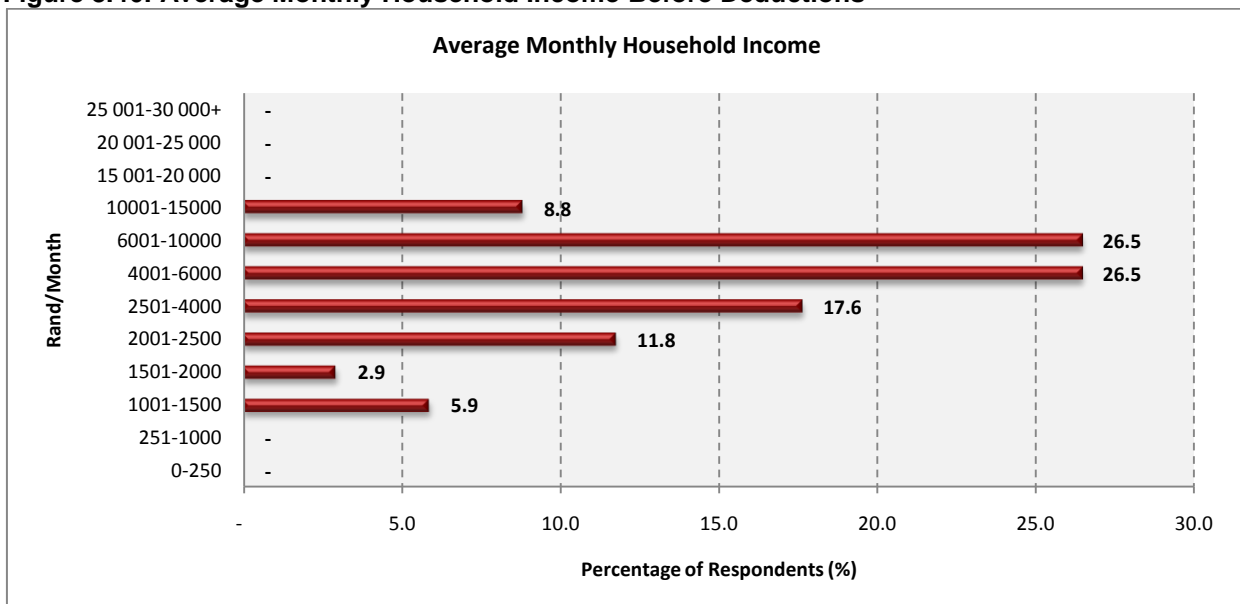
Source: Demacon Household Surveys, 2009

8.5   SYNTHESIS

This chapter provided an in-depth assessment of Liberty Promenade, the socio-economic profile of the primary trade area population and past and current consumer behaviour. Overall, the chapter assisted with the identification of the impacts that the development of Liberty Promenade had on the local community and economy – Table 8.7.

Table 8.7: Impact of the Development of Liberty Promenade

	Change	Impact
Changes in shopping location:		
Mitchell's Plain	56.3% to 59.5%	⬆
Cape Town Central	29.5% to 20.7%	⬇
Somerset West	4.5% to 3.6%	⬇
Other	9.8% to 16.2%	⬆
Percentage of shopping conducted outside the local areas	46.1% to 40.2%	⬇
Percentage of shopping at local traders	20.3% to 18.4%	⬇
Average transport cost:		
Retail centre	R10.0 to R11.6	⬆
Local traders	R11.9 to R10.4	⬇
Average travel time:		
Retail centre	17.1min to 12.6min	⬇
Local traders	10.6min to 9.9min	⬇
Monthly household retail expenditure	R906.4 to R1 321.8 Liberty Promenade – R973.3	⬆
Impact on local traders:	Slight to large decline in support – 47.2%	⬇
1. Everything remained the same	58.3%	**Constant**
2. Closure of local businesses	6.0%	**Negative**
3. Informal traders moved closer to the mall	5.0%	**Positive**
4. Movement of local businesses closer to the mall	4.0%	**Positive**
5. Decline in informal traders	3.0%	**Negative**
6. Movement of local business to the mall	2.5%	**Positive**
Overall impact of Liberty Promenade		
1. Reduced average travel cost	83.0%	**Positive**
2. Reduced average travel time	82.0%	**Positive**
3. Provide good quality goods and services locally	80.0%	**Positive**
4. Centre provides a variety of goods and services to choose from locally	80.0%	**Positive**
5. Centre offers higher levels of credit locally	79.8%	**Positive**

From Table 8.7 it is evident that the overall impact of Liberty Promenade has been positive, despite the slightly negative perceived impact on support for local traders. Overall, it has improved the retail landscape within the local area; reducing the leakage of buying power, reducing travel costs, increasing local expenditure and improving the overall convenience of shopping locally.

CHAPTER NINE: IN-DEPTH CASE STUDY ANALYSIS – UMLAZI MEGA CITY

9.1 INTRODUCTION

Umlazi Mega City represents a minor regional centre located in Umlazi, KwaZulu Natal. The purpose of this chapter is multi-fold:

✓ Firstly, to provide a profile of the centre under investigation and its location in relation to surrounding supply;
✓ Secondly, to provide a socio-economic profile of the primary consumer market of the centre;
✓ Thirdly, to provide an overview of past and present consumer market behaviour, overall levels of satisfaction, perceived needs and preferences;
✓ Fourthly, to determine the overall impact that the development of the centre had on the local community and economy.

9.2 UMLAZI MEGA CITY PROFILE AND LOCATION WITH REFERENCE TO COMPETITION

9.2.1 UMLAZI MEGA CITY PROFILE

Table 9.1 provides a condensed profile of Umlazi Mega City. Overall it is evident that it represents a minor regional centre of 28 000m^2 retail GLA, located at 50 Mangosuthu Highway, Umlazi. It was developed in 2006 and consists of a single retail floor with 102 shops and 465 parking bays. It is anchored by Super Spar, Woolworths, Jet and Mr Price.

Table 9.1: Umlazi Mega City Profile

Centre type	Minor regional centre
Centre size	28 000m^2 retail GLA
Location	50 Mangosuthu Highway, Umlazi
Date of development	2006
Number of retail floors	1
Number of shops	102
Number of parking bays	465 open
Anchor tenants	Super Spar Woolworths Jet Mr Price
Owner	SA Corporate Real Estate Fund
Developer	Mark II Project Managers

Source: Demacon Ex. SACSC, 2010

9.2.2 UMLAZI MEGA CITY LOCATION WITH REFERENCE TO COMPETITION

Map 9.1 indicates the location of Umlazi Mega City with reference to existing retail centres within and just beyond a 10km radius. Table 9.2 indicates the detail of existing supply within the 10km radius.

Table 9.2: Existing Supply Within 10km from Umlazi Mega City

Centre	Location	Size (m²GLA)	Classification	Developed	Shops	Anchors
Arbour Crossing	Umbongintwini	42 831	Value Centre	2008	44	Pick n Pay Hyper
Chatsworth Centre	Chatsworth	41 678	Minor Regional Centre	1988	150	Shoprite Checkers, Hub
Umlazi Mega City	Umlazi	28 000	Minor Regional Centre	2006	102	Superspar, Woolworths, Jet, Mr Price
Bluff Towers Shopping Centre	Bluff	21 450	Community Centre	1982	35	Shoprite Checkers, Edgars, Ackermans, Truworths, Miladys
Southway Mall	Seaview	14 922	Community Centre	1990	42	Checkers, Tile Africa
Bluff Pick n Pay Centre	Bluff	13 936	Community Centre	1993	40	Pick n Pay Super, Mr Price, Clicks, Virgin Active
Malvern Shopping Centre	Queensburg	12 203	Community Centre	1968	80	Shoprite Checkers, Miladys, Mr Price, Ackermans, Clicks
Montclair Mall	Montclair	11 826	Neighbourhood Centre	1982	42	Pick n Pay Super, Clicks, Mr Price
Umlazi Mall	Umlazi	10 850	Neighbourhood Centre	1979	38	Rhino Cash & Carry, Ithala Bank, Post Office, Pep Stores, Savells, Standard Bank
Queensburgh Shopping Centre	Queensburg	8 133	Neighbourhood Centre	1982	24	Pick n Pay Super, ABSA, C N A
Queensmead Mall	Queensmead	6 502	Neighbourhood Centre		40	Spar, Post Office, Library
Athlone Park Shopping Centre	Amanzimtoti	6 100	Neighbourhood Centre	1976	32	Pick n Pay Family
Isipingo Junction	Isipingo Rail	5 614	Neighbourhood Centre		23	Shoprite Checkers
Bluff Shopping Centre	Bluff	5 297	Neighbourhood Centre	1975	36	Spar
Durban International Airport	Airport	2 884	Speciality Centre	1960		House of Coffees, Panarottis, Spur
Queensburgh Shopping Centre 2	Queensburg	1 813	Local Convenience Centre	1978	9	Spur, Pep
		234 039				

Source: Demacon Ex. SACSC, 2010

✓ There are 16 other retail centres within a 10km radius of Umlazi Mega City.

✓ Three are located in Bluff, three are located in Queensburg, two are located in Umlazi, one in Umbongintwini, one in Chatsworth, one in Seaview, one in Montclair, one in Queensmead, one in Isipingo, one in Amanzimtoti and one at the old Durban International Airport.

✓ These include a value centre, a minor regional centre, four community centres, one speciality centre, seven neighbourhood centres and one local convenience centre.

✓ The sizes of the centres vary between 1 813m² retail GLA and 42 831m² retail GLA.

✓ The centres excluding Umlazi Mega City constitute a total of 206 039m² of retail GLA.

✓ Only one of these centres was developed post 2000 (excluding Umlazi Mega City).

✓ Anchors include Pick 'n Pay, Shoprite, The Hub, Super Spar, Woolworths, Jet, Mr Price, Ackermans, Truworths, Pick 'n Pay, Clicks, Miladys, Pep, Tile Africa, Virgin Active, Ithala

Bank, Rhino Cash 'n Carry, Savells, CNA, Post Office, Standard Bank, ABSA, House of Coffees, Panarottis, Spur.

Picture 9.1: Umlazi Mega City[77]

Picture 9.2: Umlazi Mega City Layout[78]

Overall, Umlazi Mega City is located in a market area characterised by high levels of supply, however, it represents one of the two regional centres with moderately low levels of effective competitive supply.

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[77] Source: www.mallguide.co.za
[78] Source: www.mallguide.co.za

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Map 9.1: Location of Umlazi Mega City and Other Retail Centres Within a 10km Radius
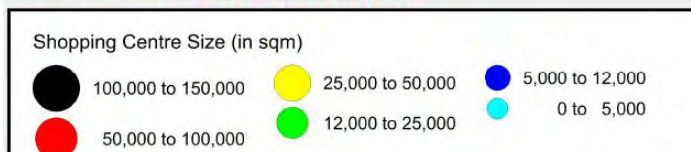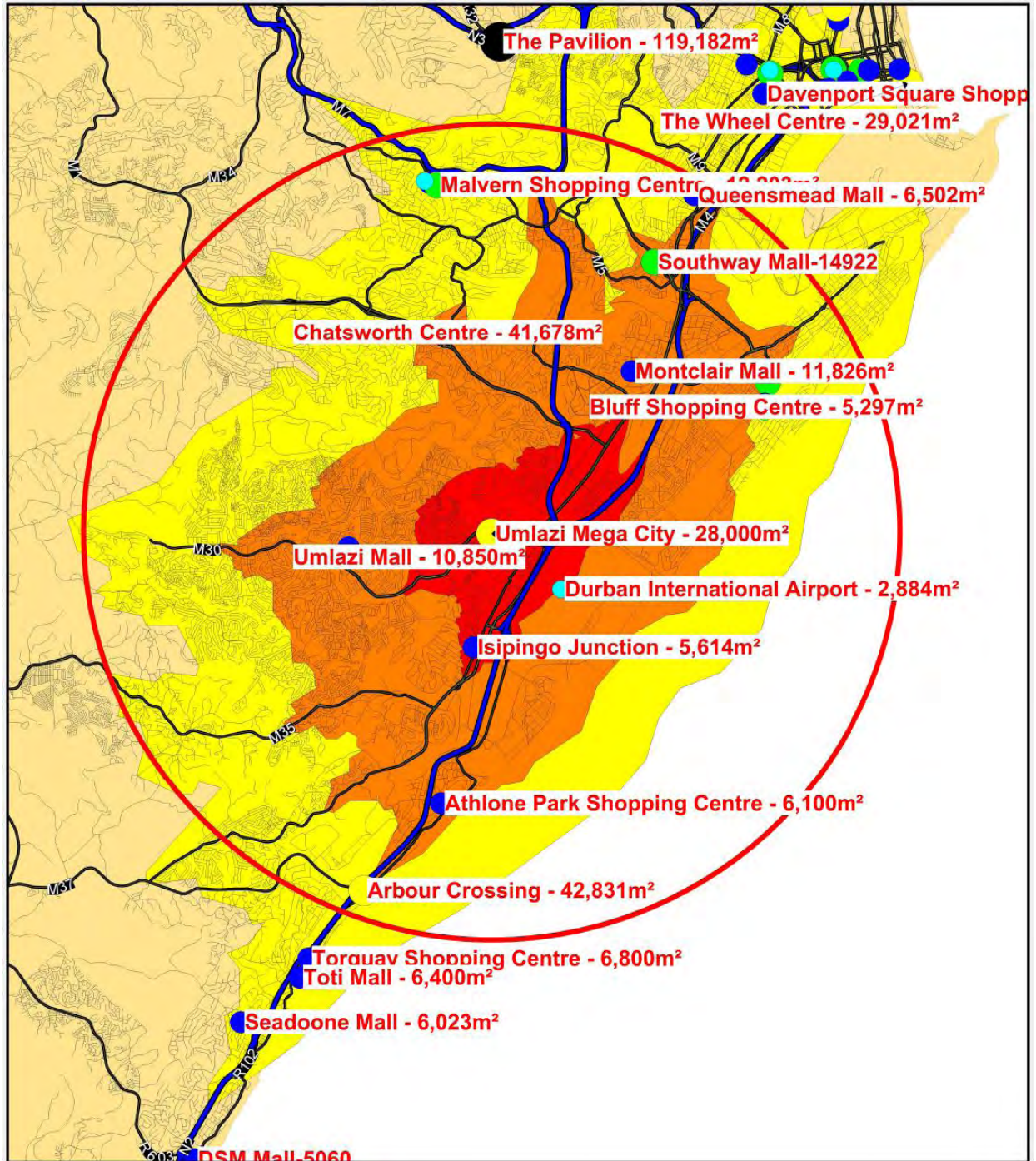
9.3   CONSUMER MARKET PROFILE

In order to understand the consumer market profile of Umlazi Mega City, a 10km trade area was delineated – Refer to Map 9.2.   Subsequent paragraphs highlight the dominant characteristics of the primary trade area population, in terms of:

- ✓ Population size;
- ✓ Racial profile;
- ✓ Age profile;
- ✓ Level of education;
- ✓ Employment status;
- ✓ Occupation profile and manner of employment;
- ✓ Average annual household income;
- ✓ Mode of transport;
- ✓ Dwelling type.

Table 9.3: Consumer Market Profile, 2010 Estimates

Variable	Primary Source Market Characteristics
Number of people	✓ 903 085
Number of households	✓ 235 170
Household size	✓ 3.7
Household density	✓ 1 488.7 households/km^2
Racial distribution	✓ African blacks – 65.2% ✓ Asian – 24.6% ✓ White – 6.7% ✓ Coloureds – 3.5%
Age profile	✓ 0-14: 27.6% ✓ 15-19: 10.7% ✓ 21-35: 29.0% ✓ 36-65: 28.6% ✓ 65+: 4.2%
Educational attendance (aged 5 to 24 years)	✓ School: 60.1% ✓ None: 32.0% ✓ Pre-school: 2.6% ✓ Technikon: 2.2% ✓ Other: 3.2%
Highest level of education (aged 20 and older)	✓ Higher: 8.9% ✓ Grade 12: 28.2% ✓ Some secondary: 35.6% ✓ Some primary and primary: 17.9% ✓ None: 9.4%
Level of employment	✓ EAP: 63.8% ✓ Employed: 56.6% ✓ Unemployed: 43.4%
Manner of employment	✓ Paid employees: 90.8% ✓ Self-employed: 7.4% ✓ Family worker: 0.8% ✓ Employer: 1.0%
Occupation profile	✓ Elementary occupations: 20.7% ✓ Clerks: 16.4% ✓ Craft and related trade: 13.6% ✓ Technicians and associate professionals: 13.1% ✓ Plant and machine operators and assemblers: 11.5% ✓ Service workers: 11.3% ✓ Professionals: 7.3% ✓ Legislators, senior officials and managers:5.8%
Weighted average household income[79]	Total market earning an income: ✓ R98 132.1/annum

[79] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Variable	Primary Source Market Characteristics
	✓ R8 177.7/month LSM 4 to 10+: ✓ R125 202.3/annum ✓ R10 433.5/month
LSM profile	✓ LSM 1-3: 40.0% ✓ LSM 4-10+: 60.0%
Mode of transport	✓ On Foot: 39.1% ✓ Private Vehicle: 25.8% ✓ Mini-bus: 15.0% ✓ Bus: 12.9% ✓ Train: 5.4%
Dwelling type	✓ House on separate stand: 48.7% ✓ Informal dwelling on separate stands: 18.8% ✓ Townhouses and cluster units: 5.7% ✓ Flat in block of flats: 9.5% ✓ House/flat/room in backyard: 4.6% ✓ Living quarters: 4.6%

Source: Demacon Ex. Quantec, 2010

Subsequent figures highlight some of the salient features of the consumer market.

Figure 9.1: Age Profile of Consumer Market
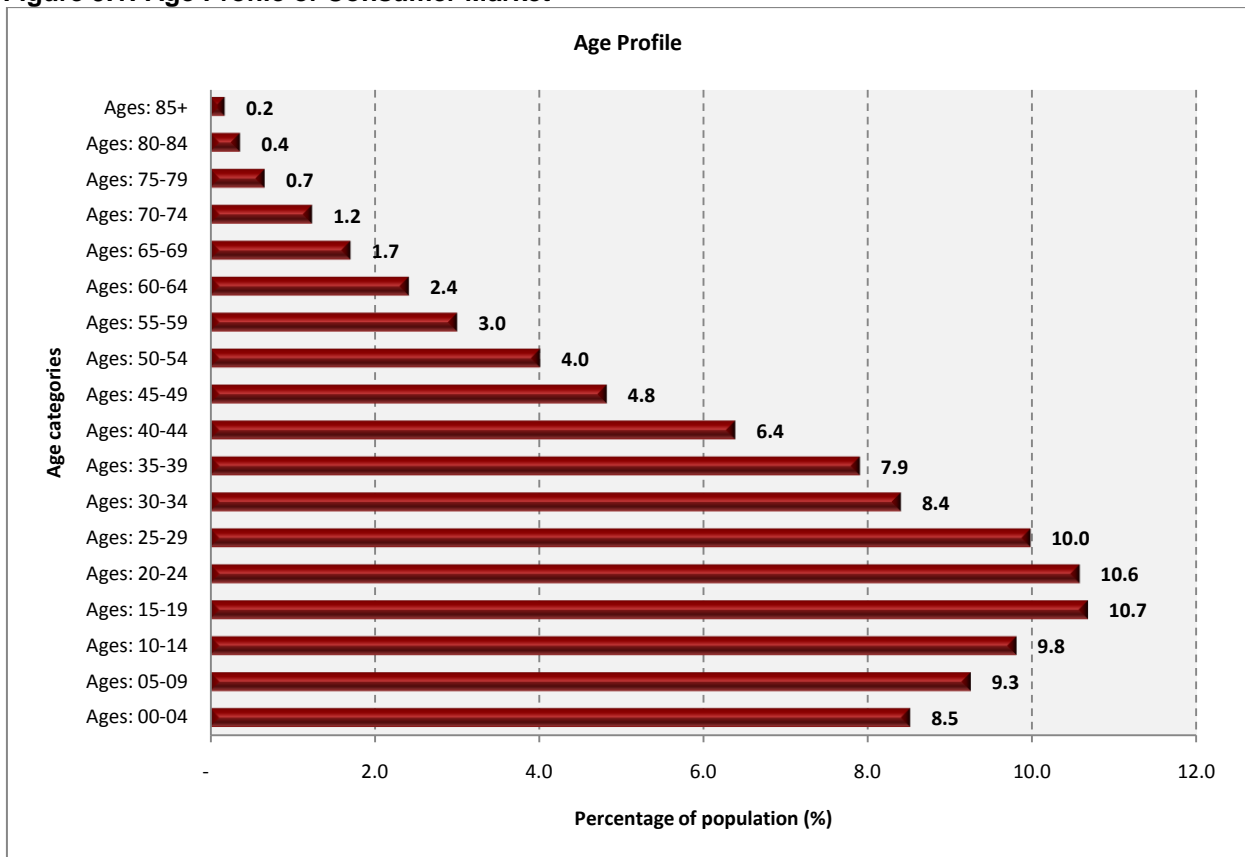
Source: Demacon Ex. Quantec, 2010

Map 9.2: Umlazi Mega City Primary Trade Area Delineation, 10km Radius
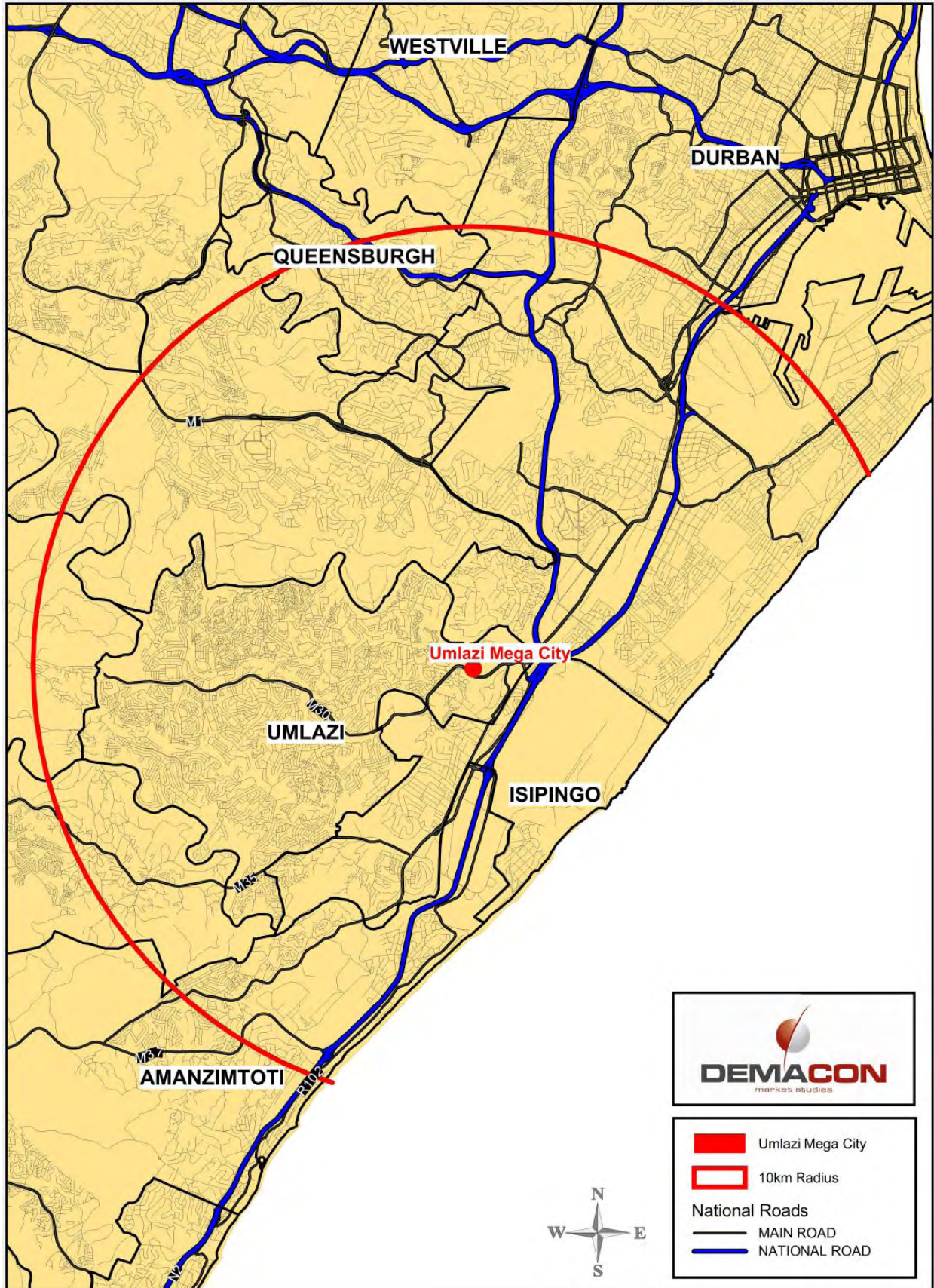
Figure 9.2: Employment Status

Employment Status

Economically Active 63.8%

Not Economicaly Active 36.2%

Level of employment

Employed 56.6%

Unemployed 43.4%
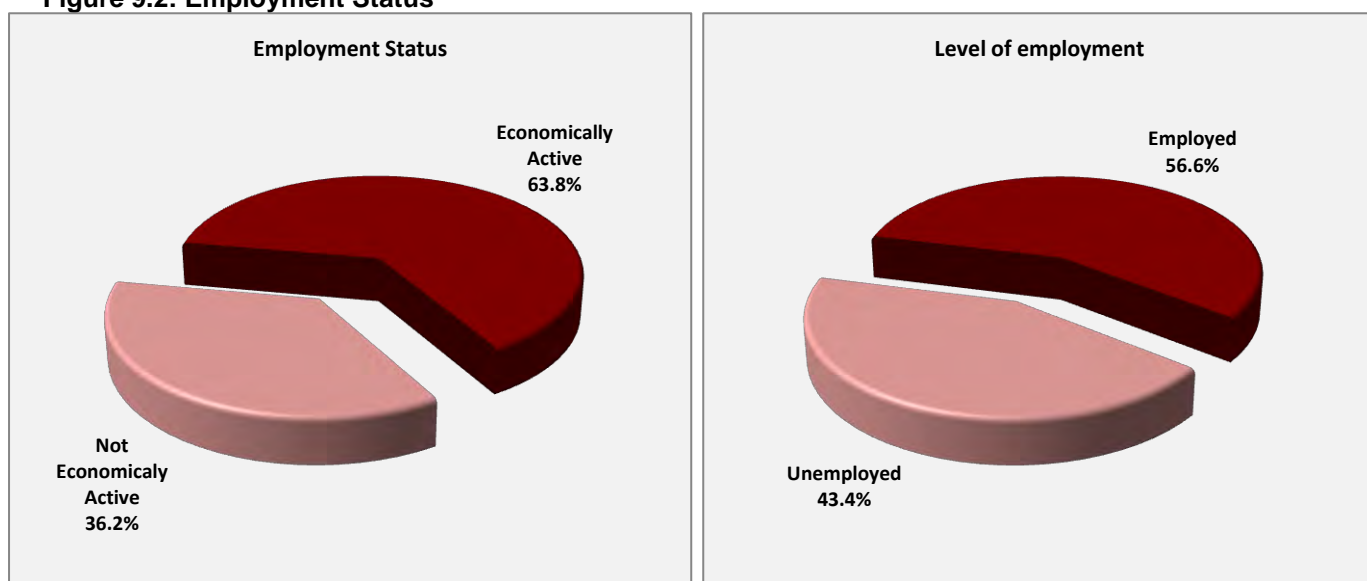
Source: Demacon Ex. Quantec, 2010

Table 9.4: Living Standard Measurement Indicator, 2010

Income category (R/month)	LSM Status	Market Area
Super A income	LSM 10+	4.0
A Income	LSM 10	1.8
B Income	LSM 9	7.0
C Income high	LSM 8	3.0
C Income low	LSM 7	11.1
D Income	LSM 6	12.5
D Lower top	LSM 4 to 5	20.6
D lower end	LSM 1 to 3	40.0

Source: Demacon Ex. Quantec, 2010

Figure 9.3: Average Annual Household Income, 2010
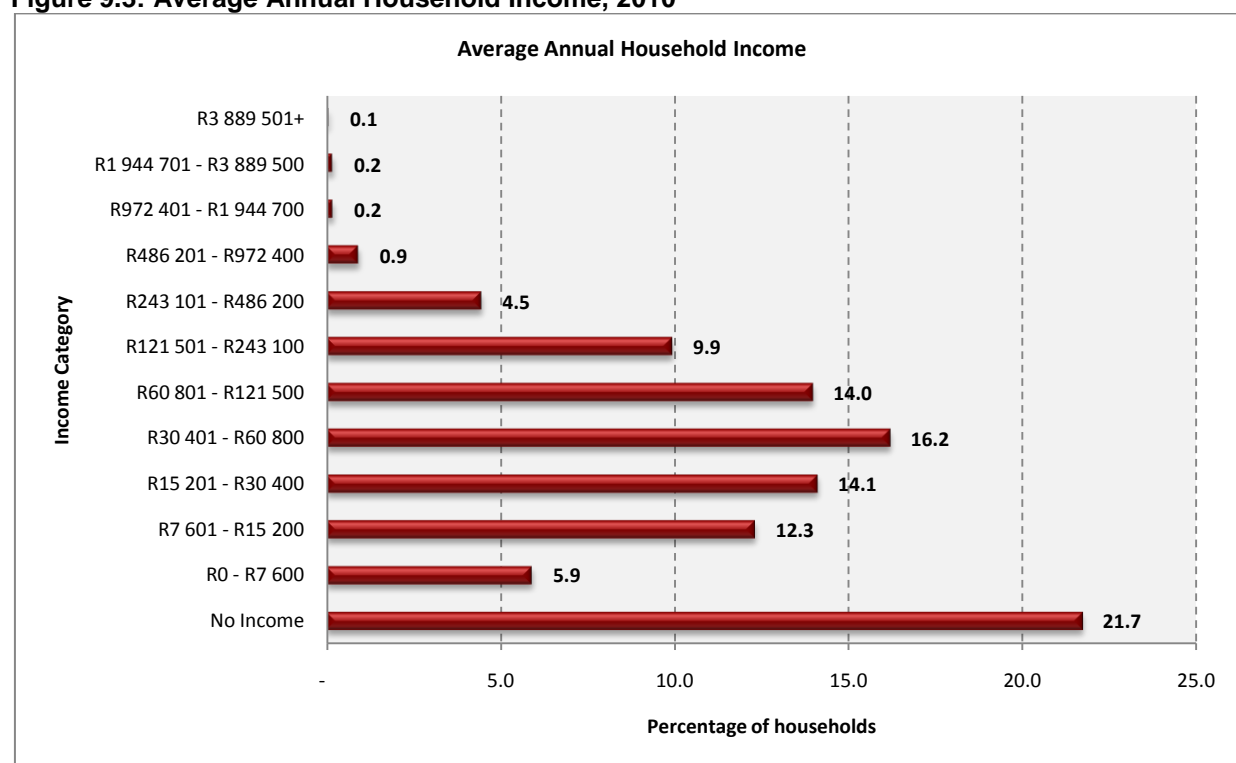
Average Annual Household Income

Income Category	Percentage
R3 889 501+	0.1
R1 944 701 - R3 889 500	0.2
R972 401 - R1 944 700	0.2
R486 201 - R972 400	0.9
R243 101 - R486 200	4.5
R121 501 - R243 100	9.9
R60 801 - R121 500	14.0
R30 401 - R60 800	16.2
R15 201 - R30 400	14.1
R7 601 - R15 200	12.3
R0 - R7 600	5.9
No Income	21.7

Source: Demacon Ex. Quantec, 2010

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Overall the primary consumer market profile reveals the following pertinent characteristics:

✓ At least **235 170** households (2010);
✓ Largely an African black and Asian consumer market;
✓ Relatively large young and upcoming market segment, supported by more mature adult segment and large youth component;
✓ Relatively sophisticated consumer market characterised by moderate levels of education;
✓ Relatively large economically active market segment, characterised by moderately higher levels of employment – reflecting lower dependency ratios;
✓ Occupation profile reflects a dominance of blue collar occupations, supported by a relative component of white collar occupations – overall the occupation profile reflects a middle income consumer market characterised by pockets of wealth and poverty;
✓ Weighted average monthly household income of target market (LSM 4 to 10+) approximately **R10 433.5** (2010);
✓ Moderate to higher living standard levels – **LSM 1 to 3 (40.0%); LSM 4 to 10+ (60.0%);**
✓ A number of factors contribute to the general property development climate in a specific geographical area. The socio-economic factors that provide an initial indication of market potential are levels of education, level of employment, income and standards of living. These factors combined reflect a consumer market with a demand predominantly focused towards the middle to upper spectrum of commercial products and services.

In order to examine the impact that the development of Umlazi Mega City had on the local community, proportionally stratified household surveys were conducted within the 10km radius. Subsequent paragraphs highlight the findings of these surveys.

9.4 IMPACT OF THE DEVELOPMENT OF UMLAZI MEGA CITY

Household surveys were conducted within the 10km trade radius in order to study past and current consumer behaviour using the development of Umlazi Mega City as a reference point. They also show current levels of satisfaction, perceived demands and preferences pertaining to future extensions. These findings reveal the overall impact that the centre had on the local community and their consumer behaviour.

The findings of these surveys are addressed under the subsequent main headings:

✓ Household information;
✓ Past consumer behaviour;
✓ Current consumer behaviour;
✓ Frequency of visits and dwell time;
✓ Level of satisfaction;
✓ Need to expand Umlazi Mega City;
✓ Overall impact of the development of Umlazi Mega City;
✓ Living standard and average annual income.

9.4.1 HOUSEHOLD INFORMATION

In terms of household information the following were addressed: number of households on premises, average household size, current life stage, age profile of household members, family member mainly responsible for conducting retail purchases, mode of transport, number of breadwinners and suburb of employment.

Figure 9.4: Number of Households on Premises

Households on Premises

Percentage of Households (%)

| One | Two | Three | Four | Five | Five+ |
| 77.4 | 2.4 | 1.2 | 2.4 | 6.0 | 10.7 |
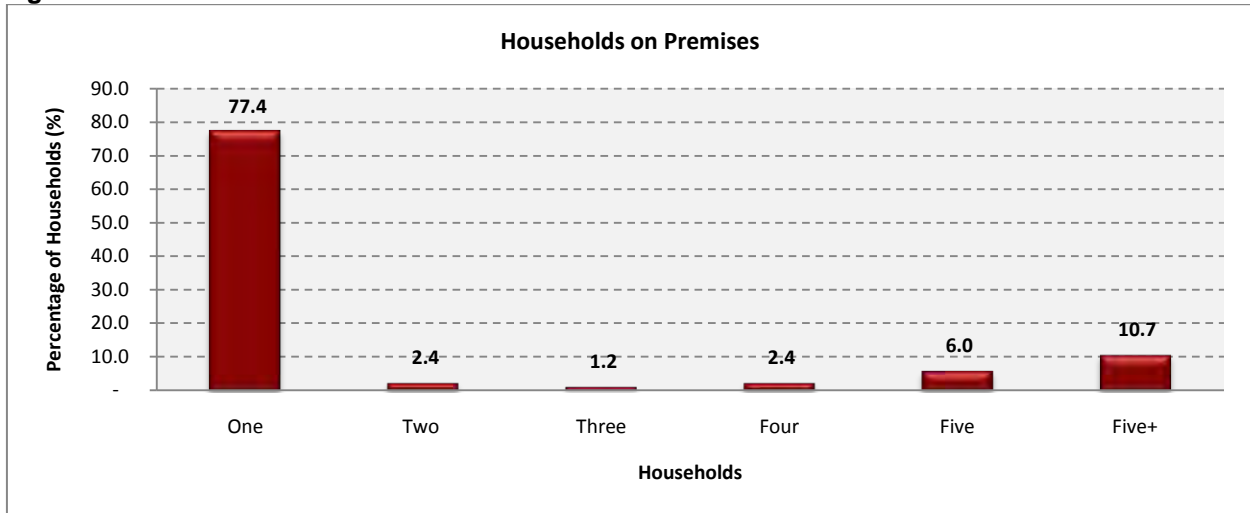
Households

Source: Demacon Household Surveys, 2009

Figure 9.5: Average Household Size

Household Size

Percentage of Households (%)

| One | Two | Three | Four | Five | Five+ |
| 13.8 | 6.2 | 7.7 | 16.9 | 18.5 | 36.9 |
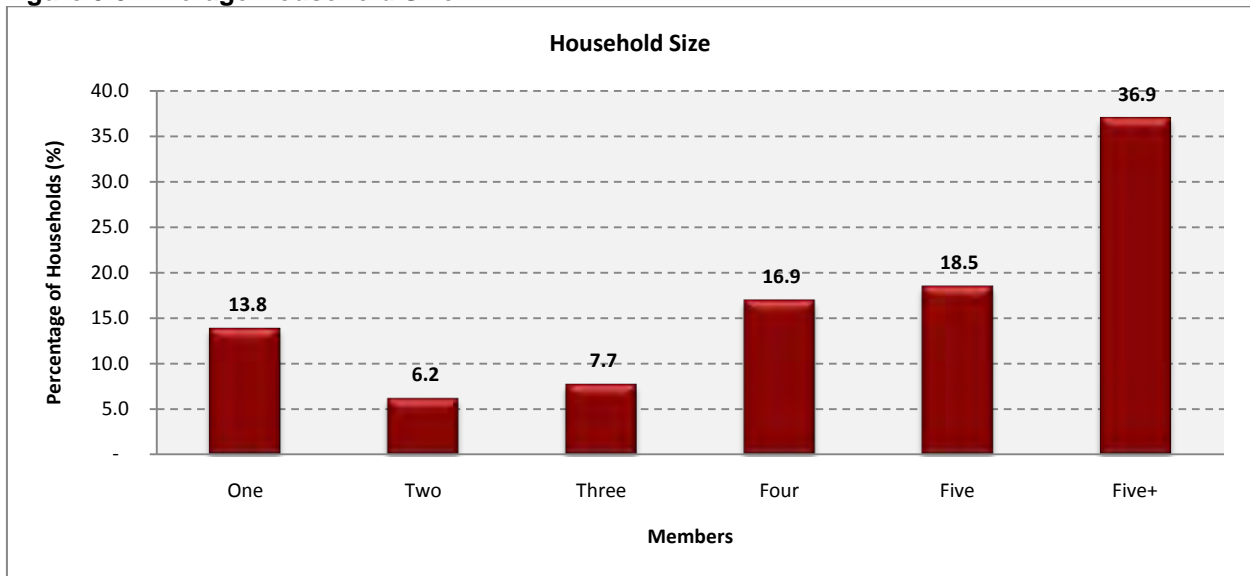
Members

Source: Demacon Household Surveys, 2009

Figure 9.6: Current Life Stage

Life Stage

Percentage of Households (%)

| Stay-at home singles | Starting out singles | Couples | Mature singles | New Parents | Single parents | Mature Parents | Golden Nests | Left alones |
| 5.2 | 2.1 | 27.1 | 12.5 | 4.2 | 38.5 | 5.2 | 5.2 | - |

Source: Demacon Household Surveys, 2009
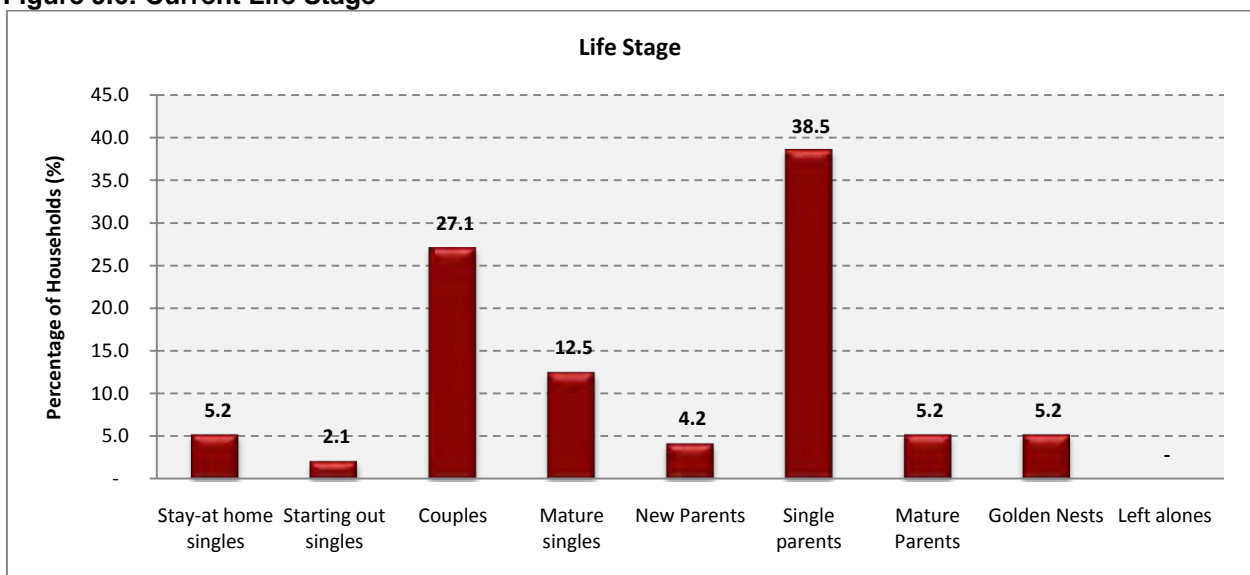
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Figure 9.7: Age Profile of Household Members

Age Profile

- Mature Adults (36 years+) 30.0%
- Children – (0-12) 26.0%
- Teenagers and youth – (13 to 18) 16.0%
- Young Adults – (19 to 35) 28.0%
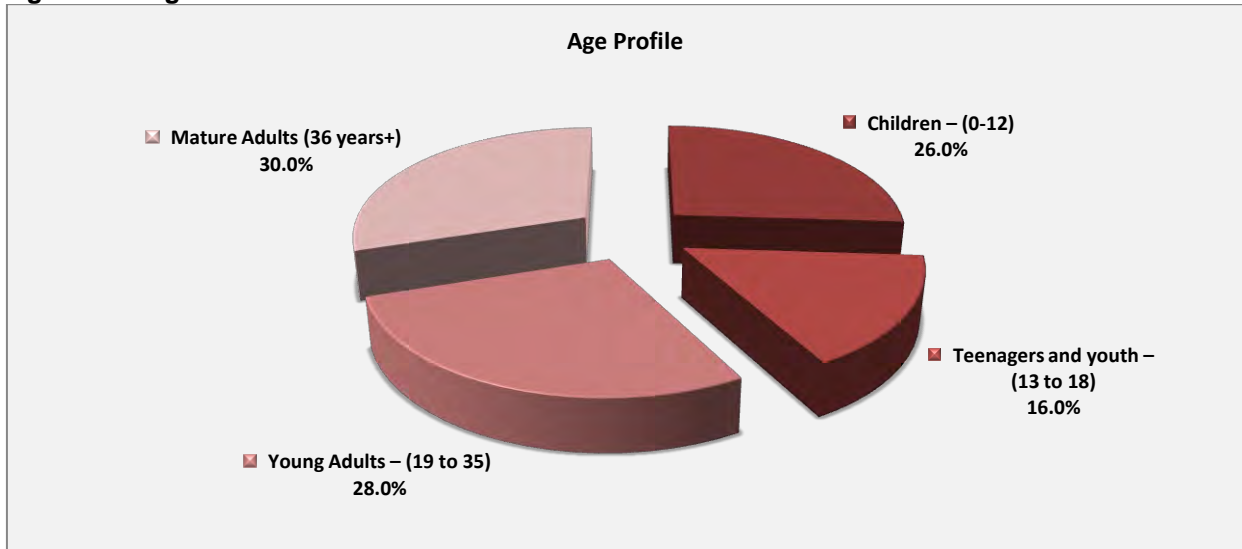
Source: Demacon Household Surveys, 2009

Figure 9.8: Family Member Responsible for Retail Purchases

Family Member Responsible for Retail Puchases

- Mother 62.0%
- Father 19.4%
- Daughter 12.4%
- Son 4.7%
- Grandma 1.6%
- Grandpa 0.0%
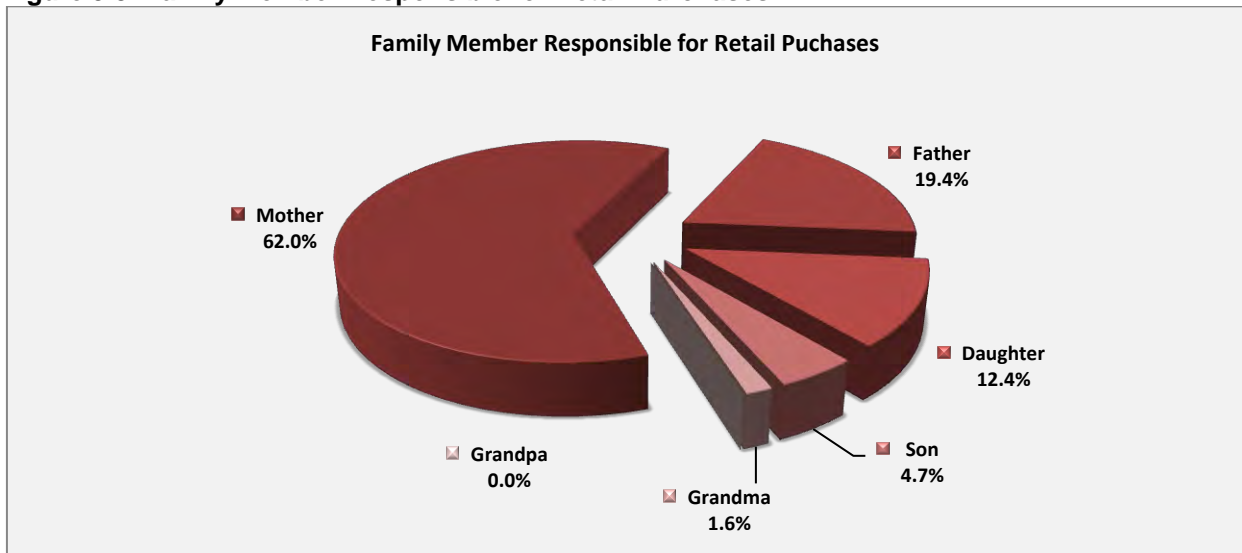
Source: Demacon Household Surveys, 2009

Figure 9.9: Mode of Transport

Family Member Responsible for Retail Puchases - Mode of Transport

- Public Transport 46.6%
- Walk 1.9%
- By car as passenger 4.9%
- By car as driver 46.6%
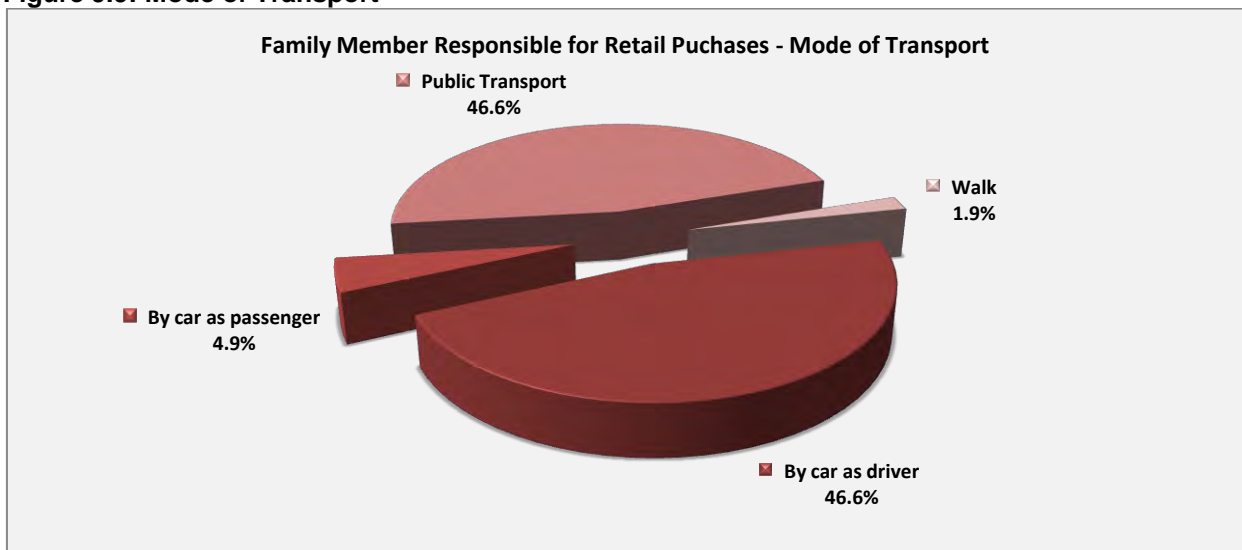
Source: Demacon Household Surveys, 2009

Figure 9.10: Breadwinners per Household
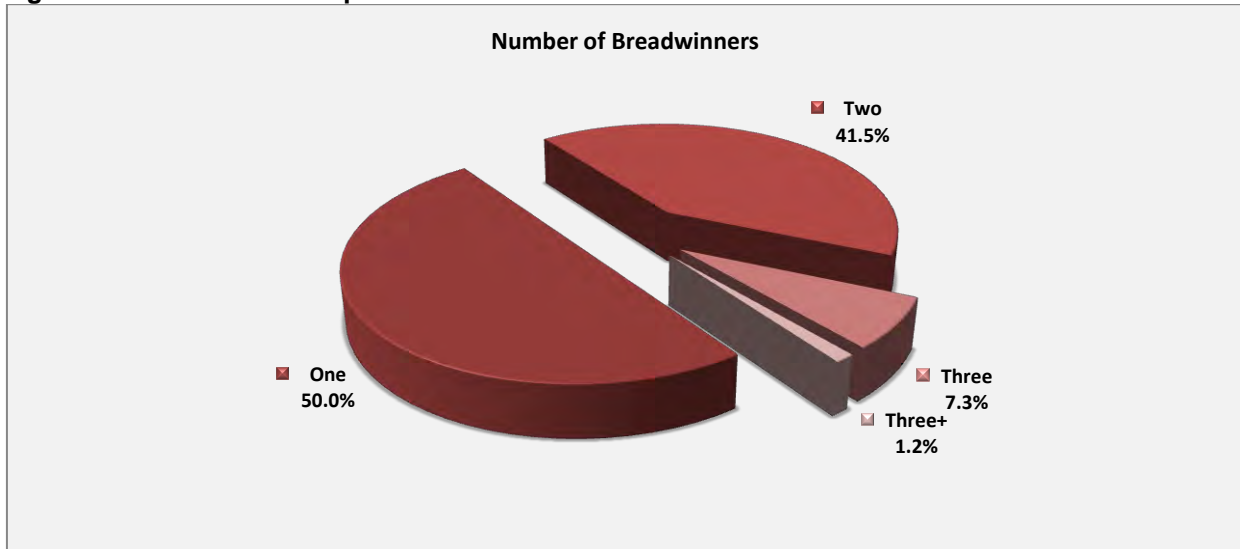
Source: Demacon Household Surveys, 200

Findings: (Figures 9.4 to 9.10)

Consumer market reflects the following household characteristics:

✓ There is mainly one household on the premises (77.4%),while 22.6% of respondents have more than one household on the premises;
✓ Households mostlyconsist of four and more members (72.3%);
✓ The dominant life stages include single parents (38.5%), couples (27.1%) and mature singles (12.5%);
✓ The age profile of household members reflects a dominant adult population (30.0%), supported by a nearly proportional segment of young adults (28.0%) and children (26.0%) and a smaller segment of teenagers (16.0%);
✓ The mothers (62.0%), followed by the fathers (19.4%) and daughters (12.4%) are mainly responsible for retail purchases;
✓ Persons responsible for retail purchases reach their retail destinations mostly by means of private vehicles (51.5%), public transport (46.6%) or walking (1.9%);
✓ The majority of households are characterised by a single breadwinner (50.0%), followed by 41.5% of the households having two breadwinners and a small segment (8.5%) being characterised by more than two breadwinners;
✓ These breadwinners are mainly employed in Durban, Umlazi, Isipingo and to a lesser extent in Edwedwe, Pinetown, King Edward, Amanzimtoti.

9.4.2 PAST CONSUMER BEHAVIOUR

Subsequent paragraphs address the issue of past consumer behaviour before Umlazi Mega City was developed. They provide information on where consumers shopped before the mall was developed, what percentage of shopping was conducted outside of the local area, at which centre, the distance to these centres, an indication of expenditure at local traders, household expenditure, transport costs and average time to retail destinations and traders.

Figure 9.11: Retail Location Before Umlazi Mega City

Before Umlazi Mega City - Retail Locations

- Isipingo 24.1%
- Chatsworth 3.6%
- Queensburg 2.2%
- Other Areas 11.7%
- Umlazi 10.2%
- Durban Central 48.2%
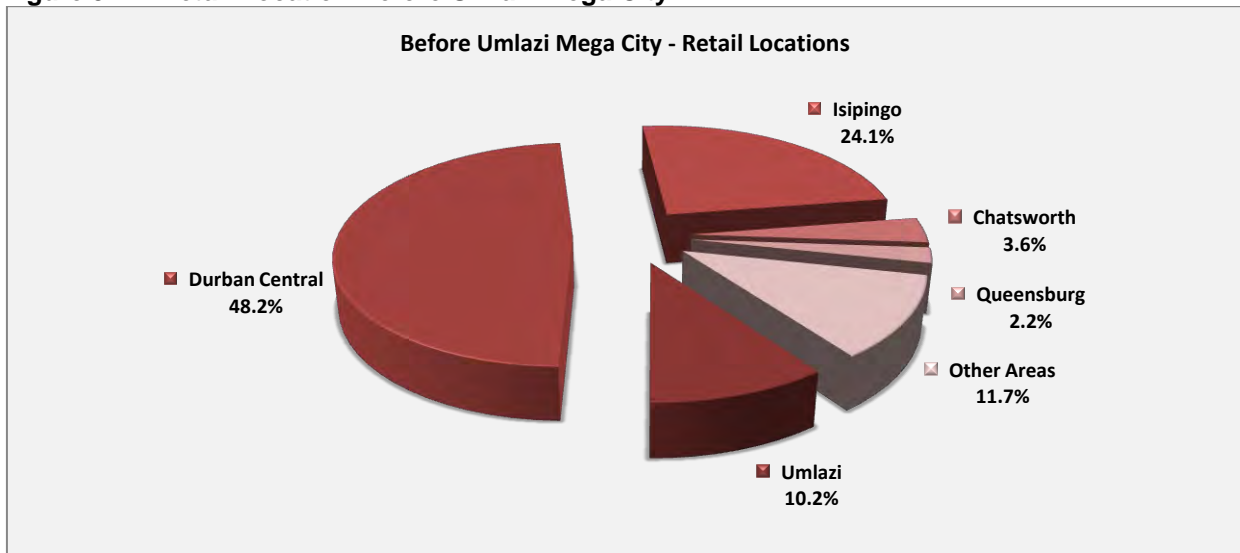
Source: Demacon Household Surveys, 2009

Figure 9.12: Percentage of Shopping Conducted Outside the Local Area Before Umlazi Mega City

Leakage of Buying Power before Umlazi Mega City

Percentage (%)	Percentage of Respondents (%)
91-100%	16.9
81-90%	3.1
71-80%	12.3
61-70%	4.6
51-60%	7.7
41-50%	-
31-40%	21.5
21-30%	18.5
16-20%	6.2
10-15%	6.2
6-10%	3.1
0-5%	-
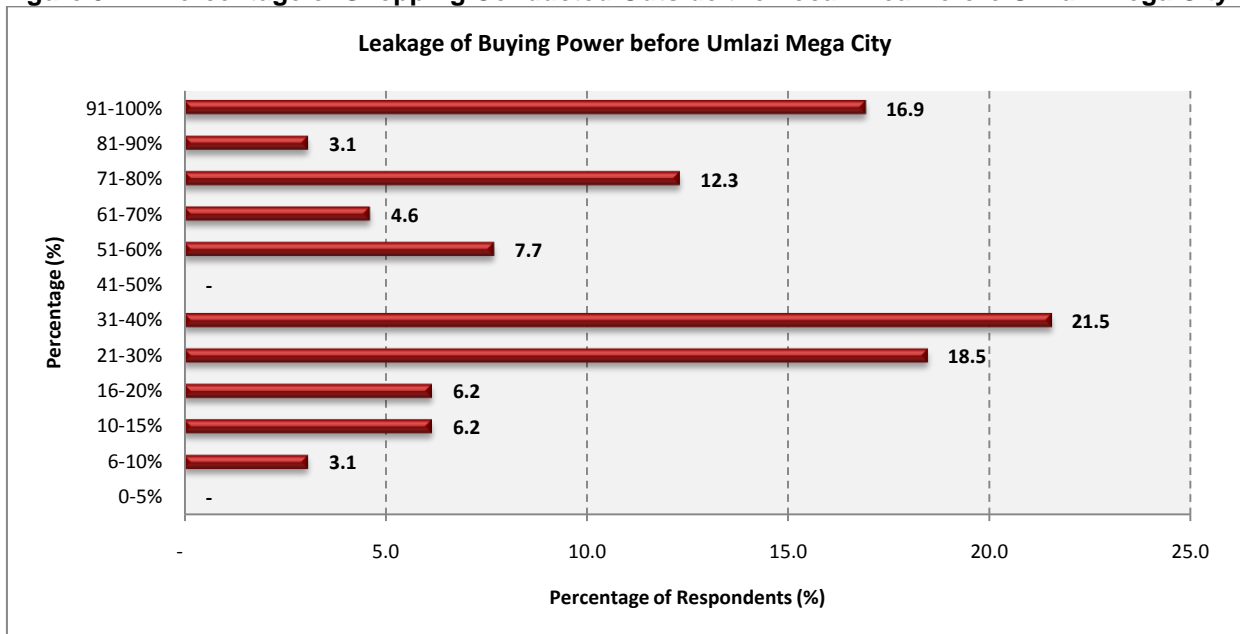
Source: Demacon Household Surveys, 2009

Table 9.5: Preferred Retail Centre Before Umlazi Mega City

	Centres	Areas
Groceries	Durban Central, Checkers Centre, Isipingo Junction, The Pavillion, Pick 'n Pay Hypermarket	Durban, Isipingo, Westville
Top-up groceries	Isipingo Junction, Durban Central, Shoprite Centre, Pavillion, Bluff Centre, Montclair Mall	Isipingo, Durban, Westville, Montclair
Clothing /shoes /accessories	Durban Central, Pavillion, Isipingo Centre, Checkers Centre, Bluff Centre, Chatsworth Centre	Durban, Westville, Isipingo, Chatsworth
Furniture and home ware	Durban Central, Shoprite Centre, Pavillion, Isipingo Centre, Chatsworth Centre, Bluff Centre	Durban, Westville, Isipingo, Chatsworth
Hardware goods	Durban Central, Isipingo Centre, Pavillion, Bluff Centre, Chatsworth, Checkers	Durban, Westville, Isipingo, Chatsworth
Gifts books and confectionary	Durban Central, Pavillion, Isipingo, Checkers Centre, Chatsworth Centre, Toti Mall	Durban, Westville, Isipingo, Chatsworth, Amanzimtoti
Specialty / value goods	Durban Central, Pavillion, Isipingo Centre, Checkers Centre, Bluff Centre, Chatsworth Centre	Durban, Westville, Isipingo, Chatsworth
Entertainment	Durban Central, Checkers Centre, Pavillion,	Durban, Westville, Isipingo, Chatsworth

	Centres	Areas
	Isipingo Centre, Bluff Centre, Chatsworth Centre	
Restaurants	Durban Central, Checkers Centre, Pavillion, Isipingo Centre, Bluff Centre, Chatsworth Centre	Durban, Westville, Isipingo, Chatsworth
Personal care	Durban Central, Checkers Centre, Pavillion, Isipingo Centre, Bluff Centre, Chatsworth Centre	Durban, Westville, Isipingo, Chatsworth
Services & other	Durban Central, Checkers Centre, Pavillion, Isipingo Centre, Bluff Centre, Chatsworth Centre	Durban, Westville, Isipingo, Chatsworth

Source: Demacon Household Surveys, 2009

Figure 9.13: Average Distance to Preferred Centre
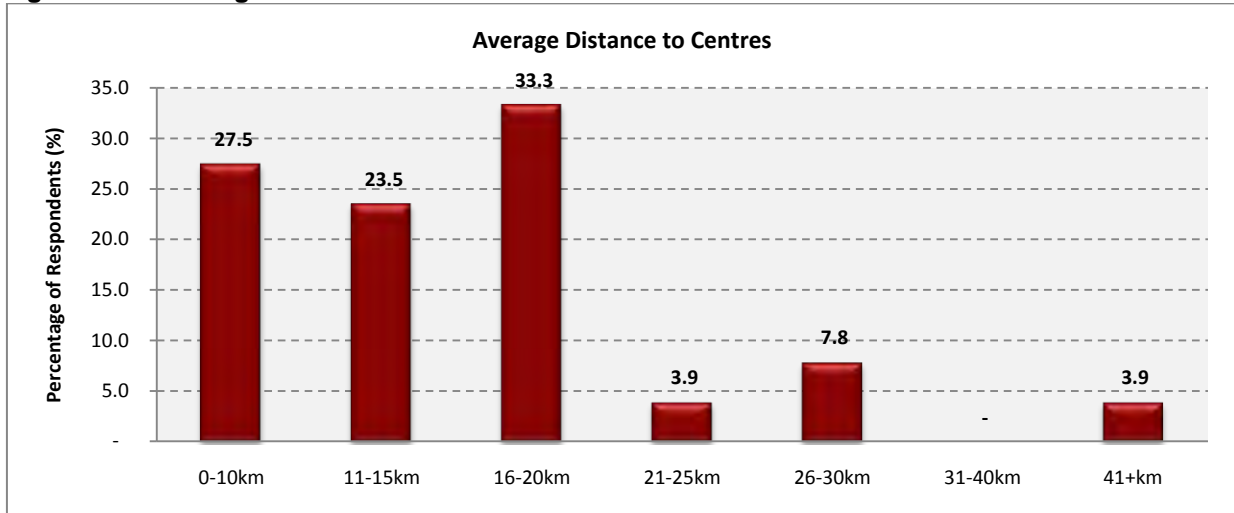
Source: Demacon Household Surveys, 2009

Figure 9.14: Percentage of Shopping Conducted at Local Traders before Umlazi Mega City
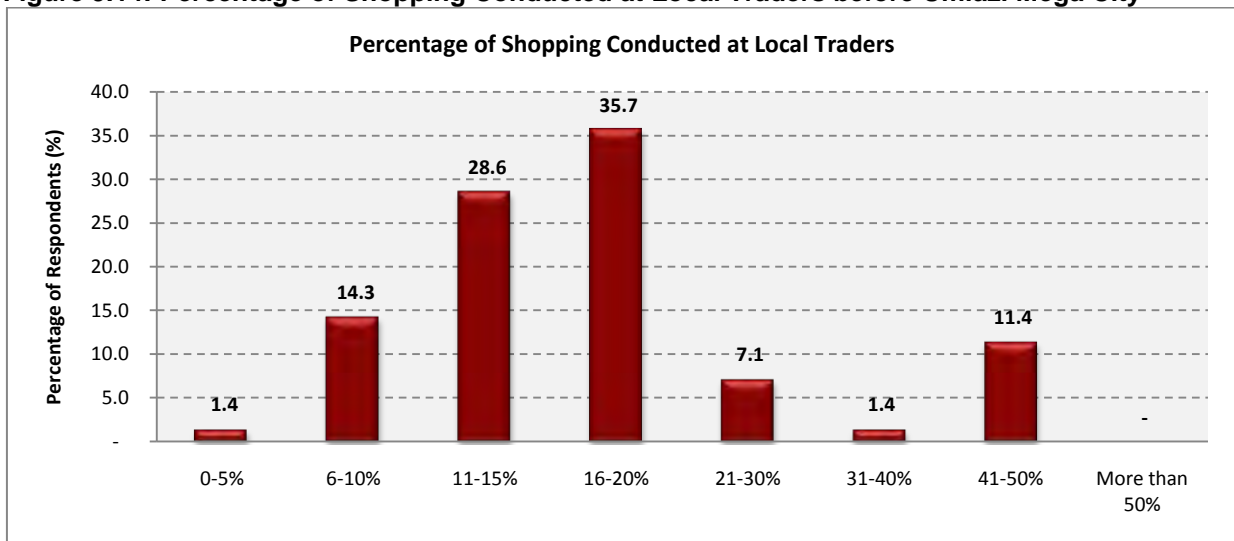
Source: Demacon Household Surveys, 2009

Findings: (Figures 9.11 to 9.15 and Table 9.5)

✓ Before Umlazi Mega City was developed the majority of respondents conducted their shopping within Durban Central (48.2%), Isipingo (24.1%), other areas (11.7%), Umlazi (10.2%), Chatsworth (3.6%) and Queensburg (2.2%).

✓ Before Umlazi Mega City was developed approximately 49.9% (weighted average[80]) of shopping was conducted outside of the local area.

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[80] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

✓ In terms of the preferred retail centres the following dominant centres featured: Durban Central, Shoprite Centre, Isipingo Junction, The Pavillion, Pick 'n Pay Hypermarket, Chatsworth Centre, Bluff Centre, Montclair Mall, Toti Mall.

✓ The dominant retail areas include Durban, Westville, Isipingo, Chatsworth, Amanzimtoti.

✓ Before the development of Umlazi Mega City the average distance to supported retail centres was mainly between 16 and 20km (for 33.3% of respondents); while 27.5% indicated distances of less than 10km, 23.5% indicated distances between 10 and 16km and 15.7% indicated distances of more than 20km. The weighted average[81] distance amounted to **15.3km.**

✓ Respondents conducted between 11% and 20% (64.3%) of their shopping at local traders, 20% of respondents conducted more than 20% of their shopping at local traders and 15.7% indicate that they did less than 10% of their shopping at local traders. The average weighted percentage conducted at local traders amounted to **18.9%.**

✓ The majority of households spent between R400 and R1 200 a month at formal retail centres (73.1%), 19.2% of households spent more than R1 200 a month and 7.7% of households spent less than R400 a month. Average monthly household expenditure at formal retail centres amounted to **R974.90.**

✓ The majority of households spent between R100 and R150 a month at local traders (53.3%), 23.1% spent between R151 and R200 a month and 15.4% spent between R500 and R750 a month at local traders, 7.7% spent between R1 000 and R1 200 per month. The average monthly household expenditure at local traders amounted to **R288.96.**

Figure 9.15: Monthly Household Expenditure at Retail Centres and Local Traders
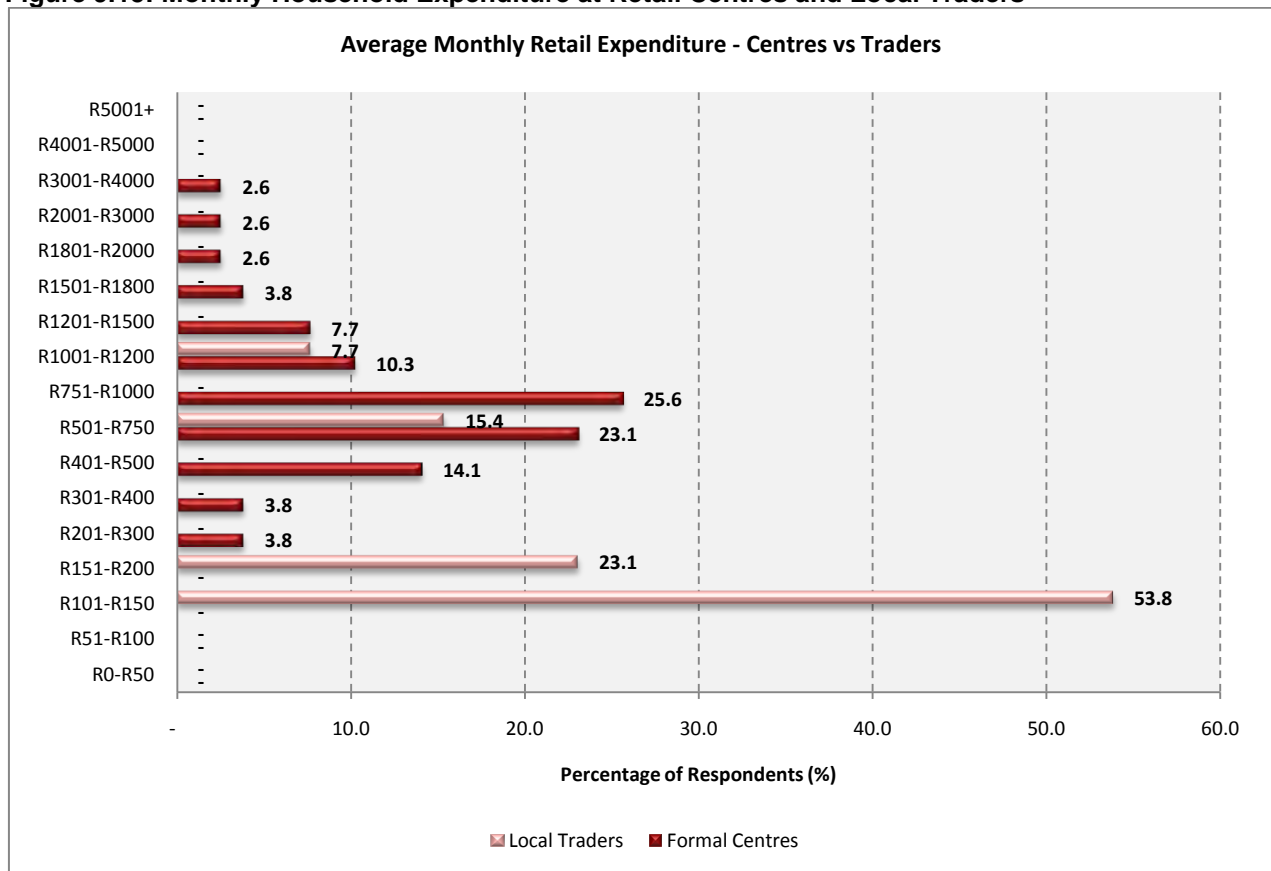
Source: Demacon Household Surveys, 2009

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[81] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Figure 9.16: Average Bus/Taxi Fare
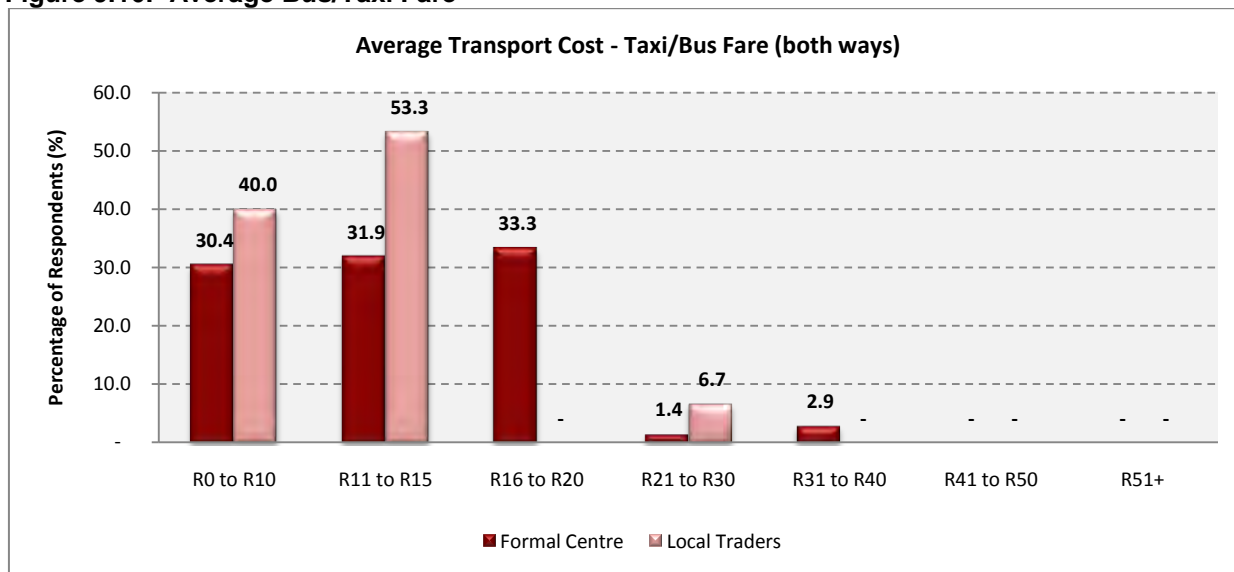
Source: Demacon Household Surveys, 2009

Figure 9.17: Average Travel Time
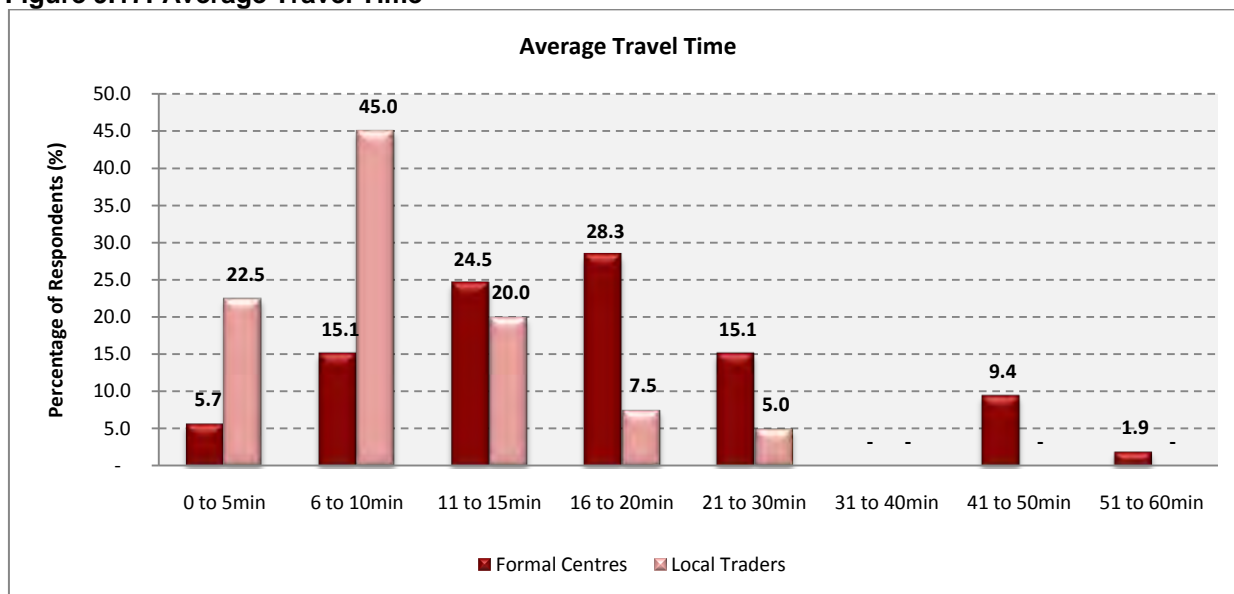
Source: Demacon Household Surveys, 2009

Findings: (Figures 9.16 to 9.17)

✓ The majority of households indicated that they spent between R16 and R20 for taxi/bus fares to the formal retail centres – 33.3%. This is followed by a proportional segment indicating transport fares of between R11 and R15 – 31.9%, and less than R10 – 30.4%. A small segment indicated transport fares exceeding R20 – 4.3%. The average weighted transport fare to formal retail centres amounted to **R13.1.**

✓ Similar trends were observed with reference to travel fares to local traders. The average weighted transport fare to local traders amounted to **R10.6.**

✓ In terms of the average travel time the majority of respondents indicated a travel time of between 16 and 20 minutes to formal retail centres – 28.3%, a large segment indicated shorter travel times between six and 15 minutes (39.6%) and a slightly smaller segment indicated longer travel times, exceeding 20 minutes (26.4%). The weighted average travel time to formal retail centres amounted to **18.8 minutes**.

✓ The majority of respondents indicated that they travel for between six and 10 minutes to local traders (45.0%), this is followed by 22.5% of respondents indicating travel times of fewer than 10 minutes and 32.5% indicated travel times of more than 10 minutes. The weighted average travel time to local traders amounted to **9.4 minutes**.

9.4.3 CURRENT CONSUMER BEHAVIOUR

Subsequent paragraphs examine current consumer behaviour trends after the development of Umlazi Mega City. They focuse on the impact that the development of the mall had on their consumer behaviour, retail destination, percentage of shopping now conducted outside the local area, impact on retail expenditure, monthly retail expenditure, monthly retail expenditure at Umlazi Mega City, the types of commodities purchased at the mall, an indication of commodities not available at the mall, changes in support for other areas, impact of the development of the mall on support for local traders, average transport cost and travelling time, impact of transport costs on retail trips outside the area.

Figure 9.18: Impact of Umlazi Mega City on Consumer Behaviour
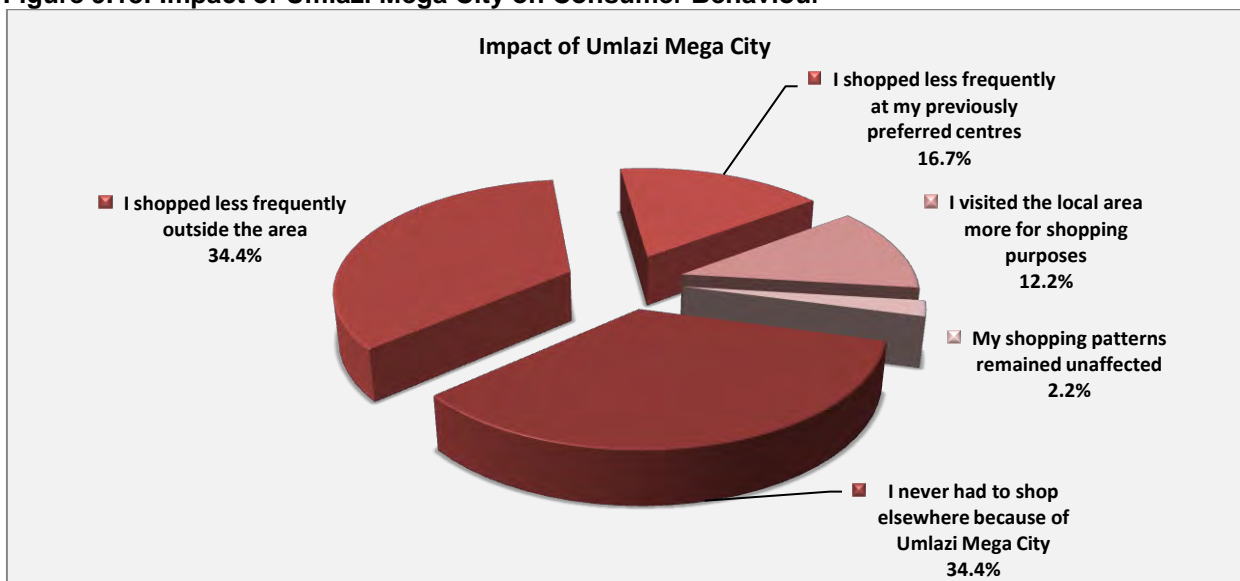
Source: Demacon Household Surveys, 2009

Figure 9.19: Retail Location After Umlazi Mega City
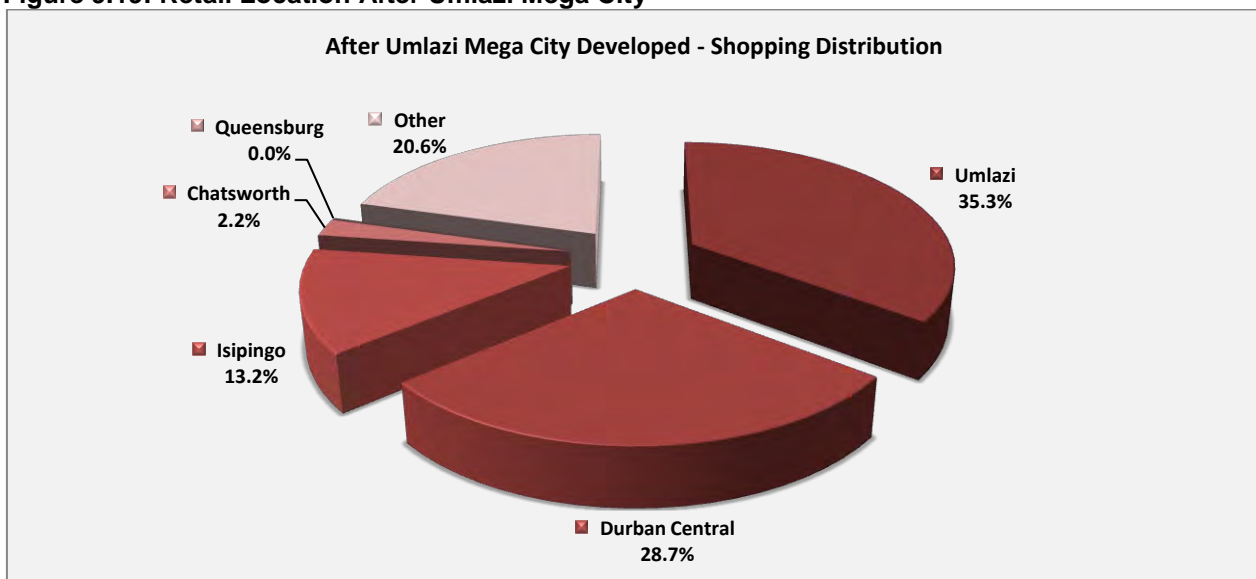
Source: Demacon Household Surveys, 2009

Figure 9.20: After Umlazi Mega City – Percentage of Shopping Outside Local Area
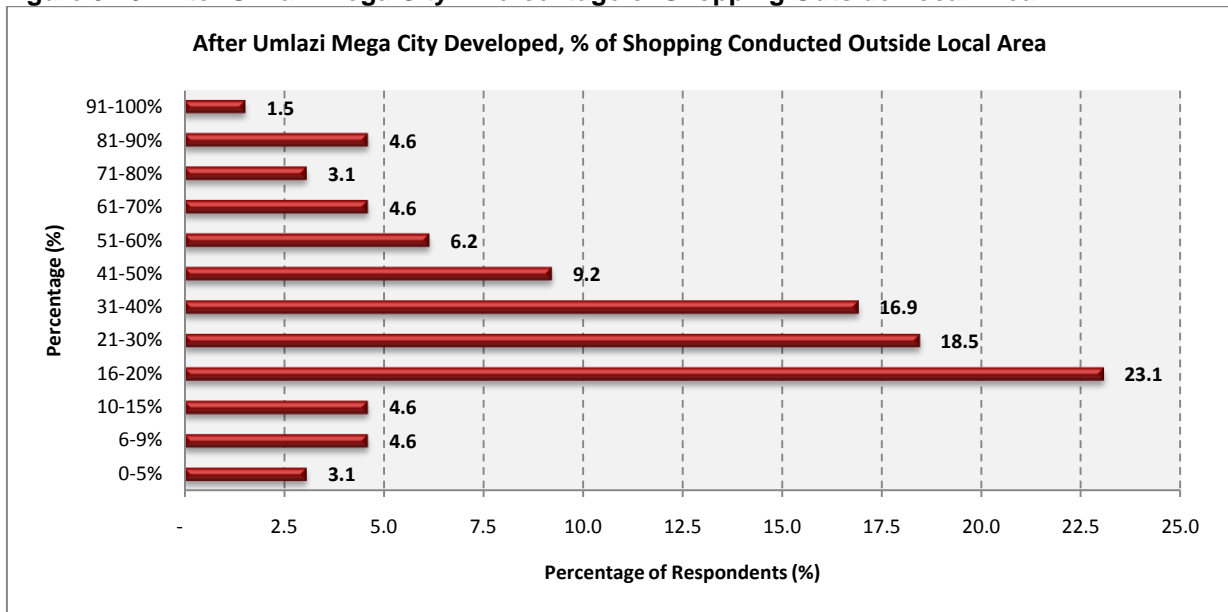
Source: Demacon Household Surveys, 2009

Figure 9.21: Impact of Umlazi Mega City on Local Retail Expenditure
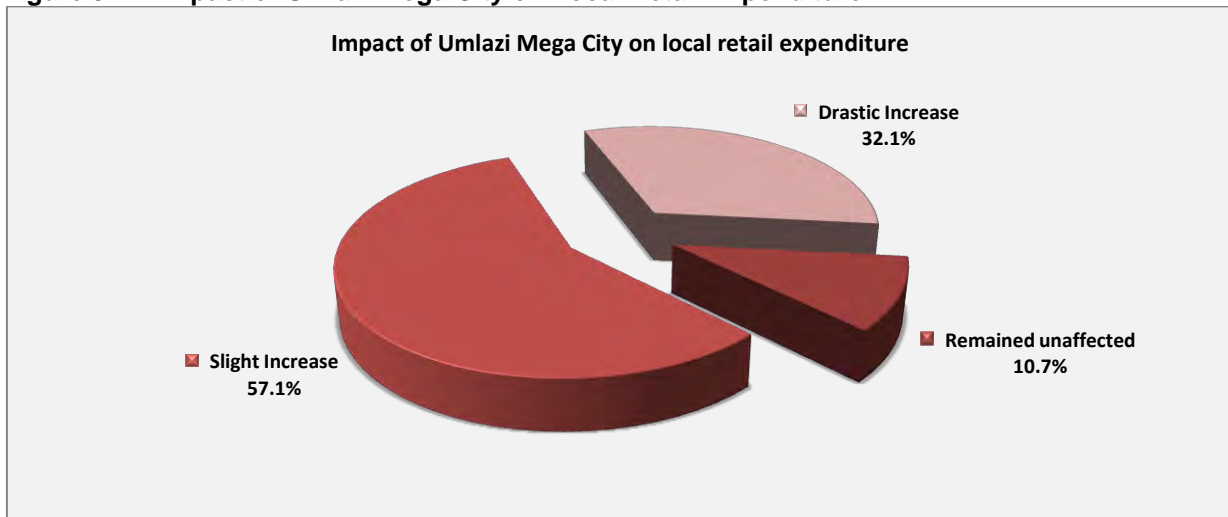
Source: Demacon Household Surveys, 2009

Findings: (Figures 9.18 to 9.21)

✓ The development of Umlazi Mega City had a positive impact on consumer behaviour – 34.4% indicated that they never have to shop elsewhere, 34.4% indicated that they shop less frequently outside of the area, 16.7% indicated that they shop less frequently at their previously preferred retail centres, 12.2% indicated that they visit the area more for shopping purposes. A mere 2.2% of respondents indicated that their shopping patterns have remained unaffected. This reflects high levels of consumer elasticity in the market.

✓ The development of Umlazi Mega City also had a positive impact on respondents' shopping locations – 35.3% of shopping is now conducted in Umlazi, 28.7% Durban Central, 20.6% in other areas, 13.2% in Isipingo, 2.2% in Chatsworth and none in Queensburg.

✓ After the development of Umlazi Mega City, the percentage of shopping conducted outside of the local area declined to a weighted average[82] of **34.2%.**

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[82] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

✓ The development of Umlazi Mega City had a slight impact on local retail expenditure (57.1%).

✓ A large segment of respondents (32.1%) indicated the development of the mall had a drastic impact on their local retail expenditure, whereas a small segment of 10.7% indicated that the development of the mall had no impact on their local retail expenditure.

Figure 9.22: Average Monthly Household Retail Expenditure
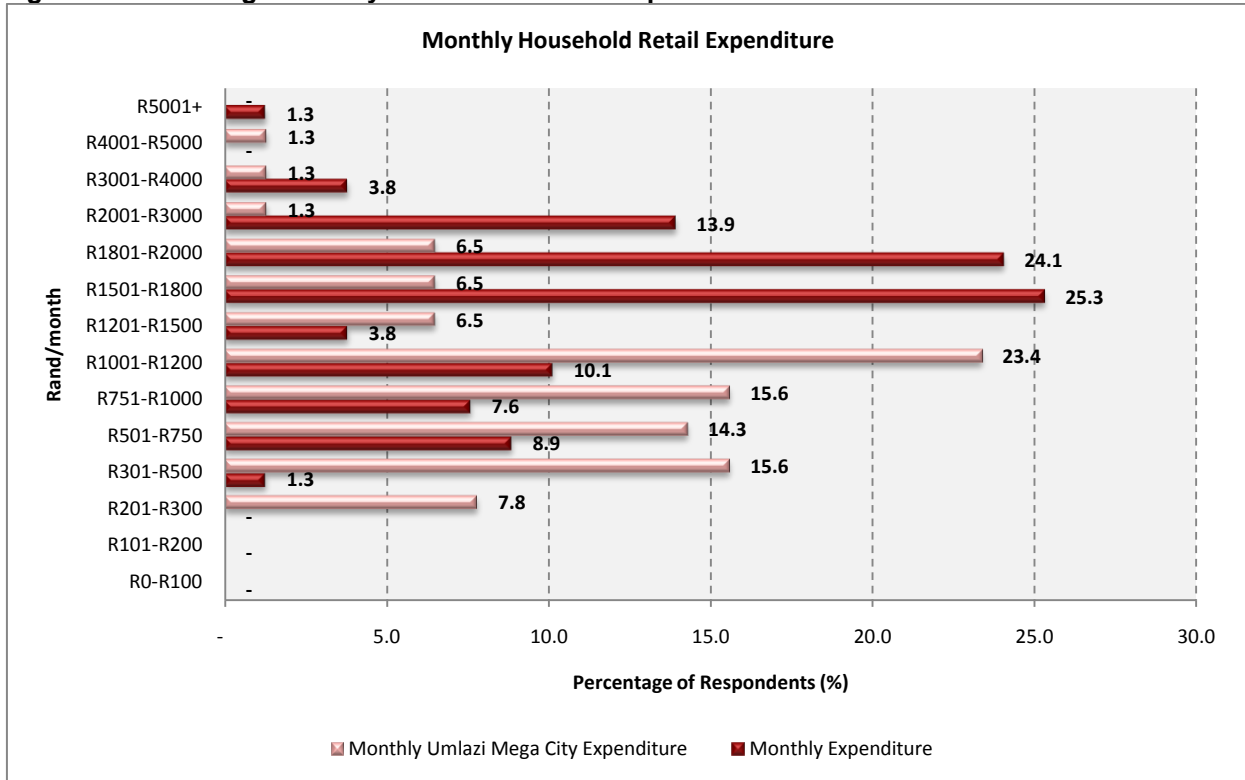
Source: Demacon Household Surveys, 2009

Figure 9.23: Type of Commodities Predominantly Purchased at Umlazi Mega City
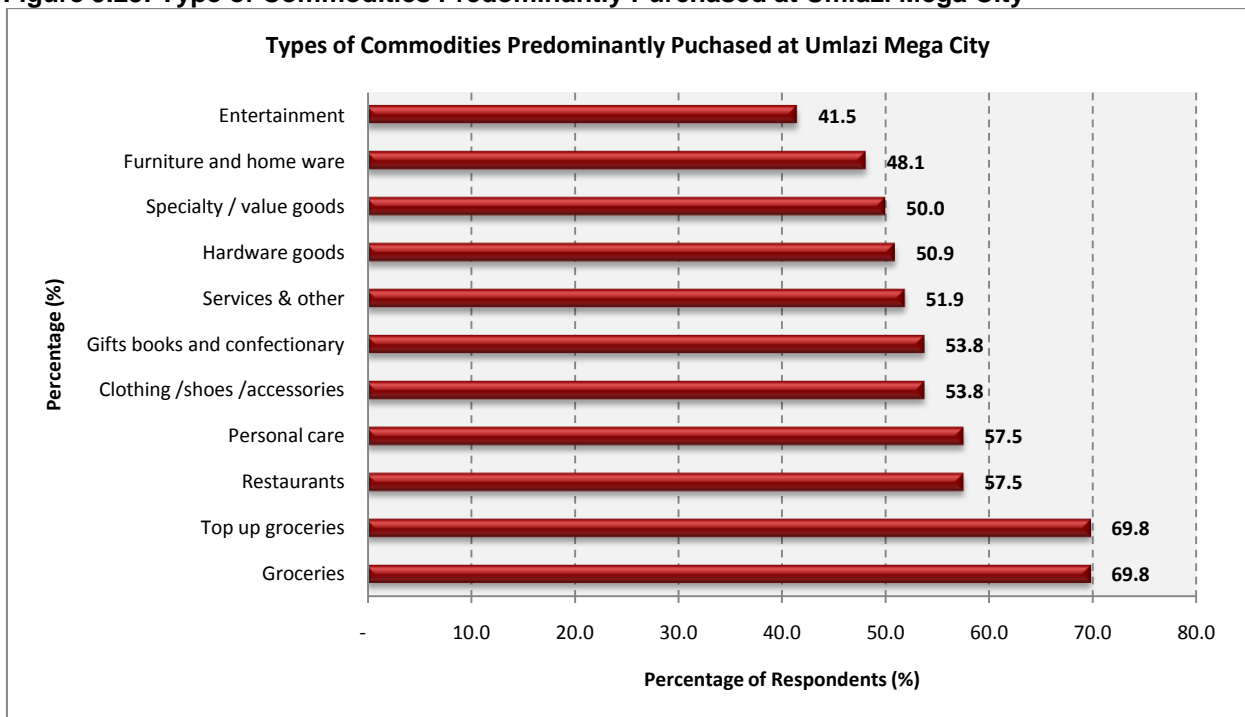
Source: Demacon Household Surveys, 2009

Figure 9.24: Types of Commodities Not Available at Umlazi Mega City
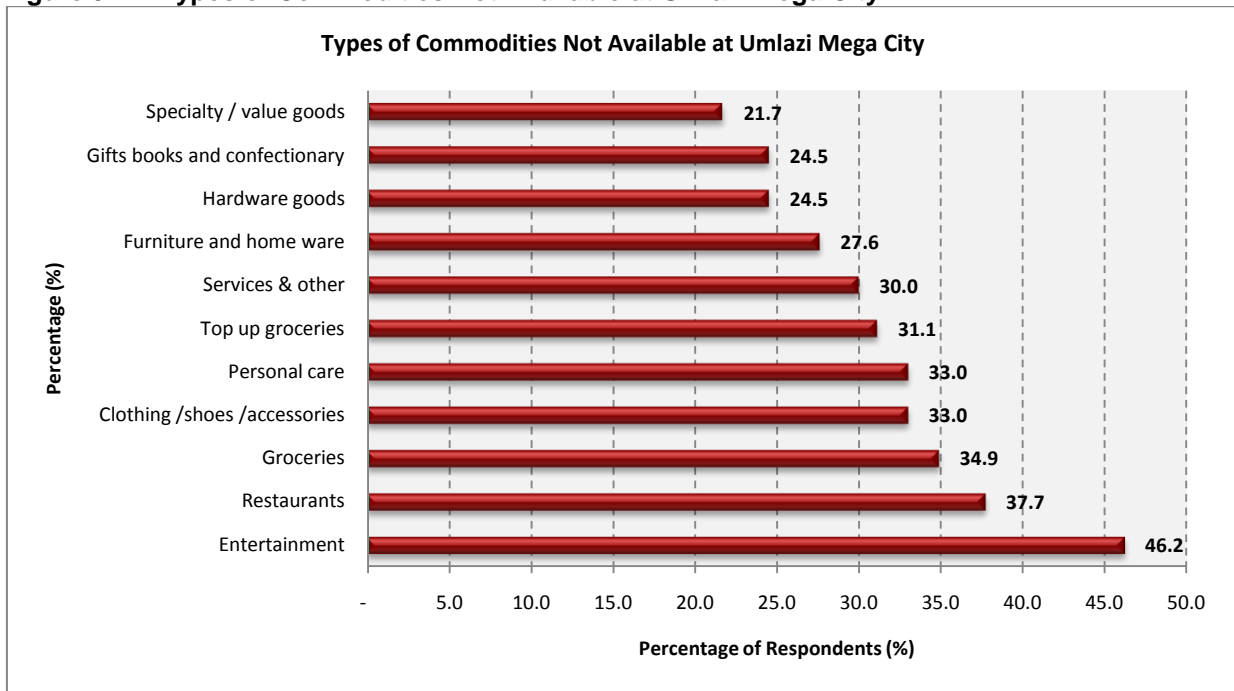
Source: Demacon Household Surveys, 2009

Figure 9.25: Preferred Retail Centres After Umlazi Mega City Development
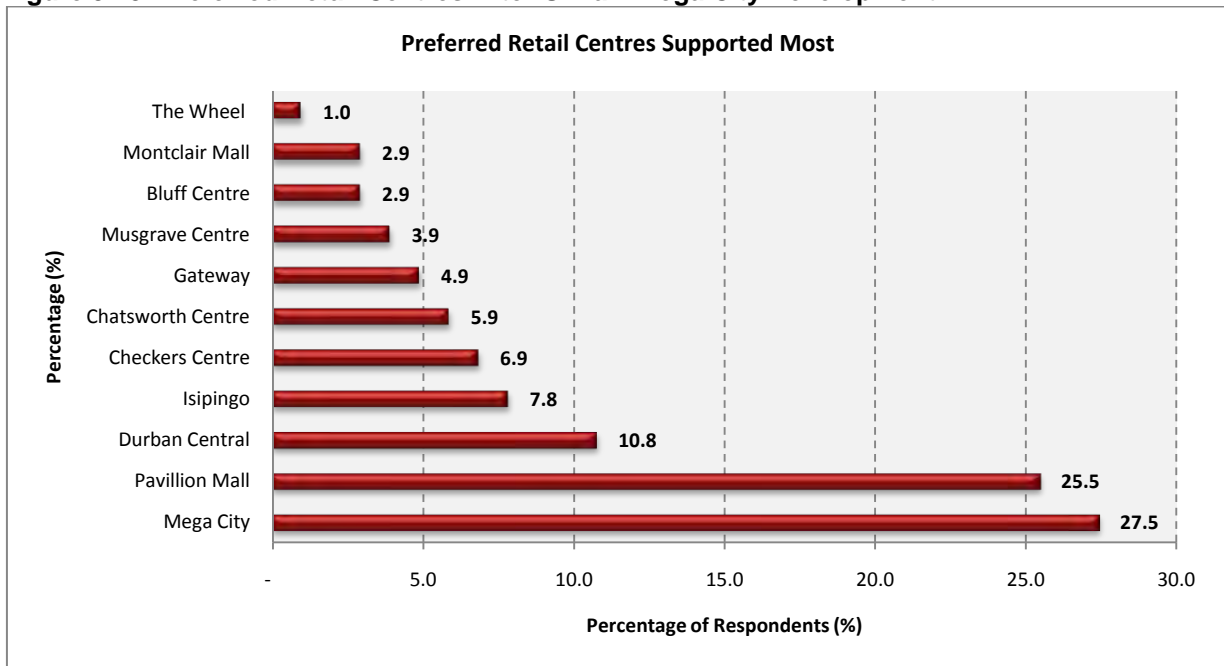
Source: Demacon Household Surveys, 2009

Findings: (Figures 9.22 to 9.25)

✓ The largest segment of households indicated that they spend between R1 500 and R3 000 on monthly shopping – 63.3%, this is followed by 30.4% indicating amounts between R500 and R1 500, 5.1% indicated more than R3 000 a month and a low 5.1% reflected amounts below R500. The average weighted amount spent on shopping is **R1 633.1**.

✓ The majority of respondents also indicated that they spend between R300 and R1 200 per month at Umlazi Mega City – 68.9%, supported by 23.5% indicating expenditures of R1 200 to R5 000 at Umlazi Mega City and a mere 7.8% indicated amounts below R300 per month. The average weighted monthly amount spent at Umlazi Mega City is **R1 016.4.**

✓ In terms of the types of commodities predominantly purchased at Umlazi Mega City the following categories prevail: monthly groceries, top-up groceries, restaurants, personal care, clothing and shoes, gifts, books and confectionary and services.

✓ In terms of the type of commodities not available at Umlazi Mega City the following categories prevail: entertainment, restaurants, groceries, clothing, personal care and top-up groceries.

✓ Respondents also indicated their preferred retail centres after the development of Umlazi Mega City: Umlazi Mega City (27.5%), Pavillion (25.5%), Durban Central (10.8%), Isipingo Centre (7.8%), Checkers Centre (6.9%) and to a lesser extent Chatsworth Centre, Gateway, Musgrave Centre, Bluff Centre, Montclair Centre, The Wheel.

Figure 9.26: Since Development of Umlazi Mega City - Support for Previously Preferred Retail Centres
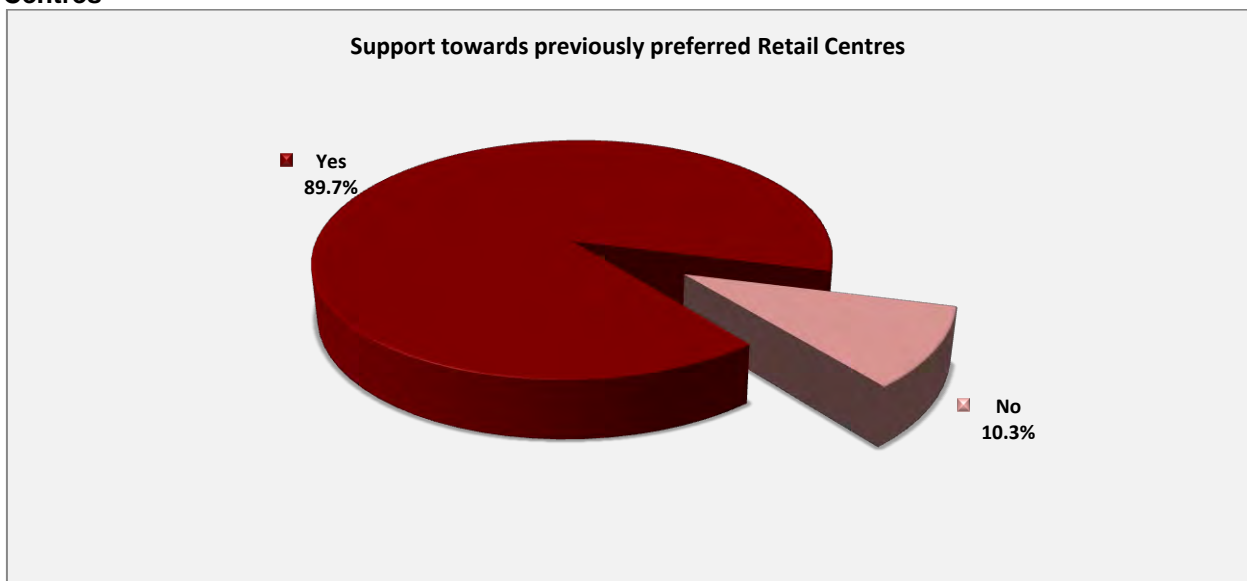
Source: Demacon Household Surveys, 2009

Figure 9.27: Reasons for Support For These Centres
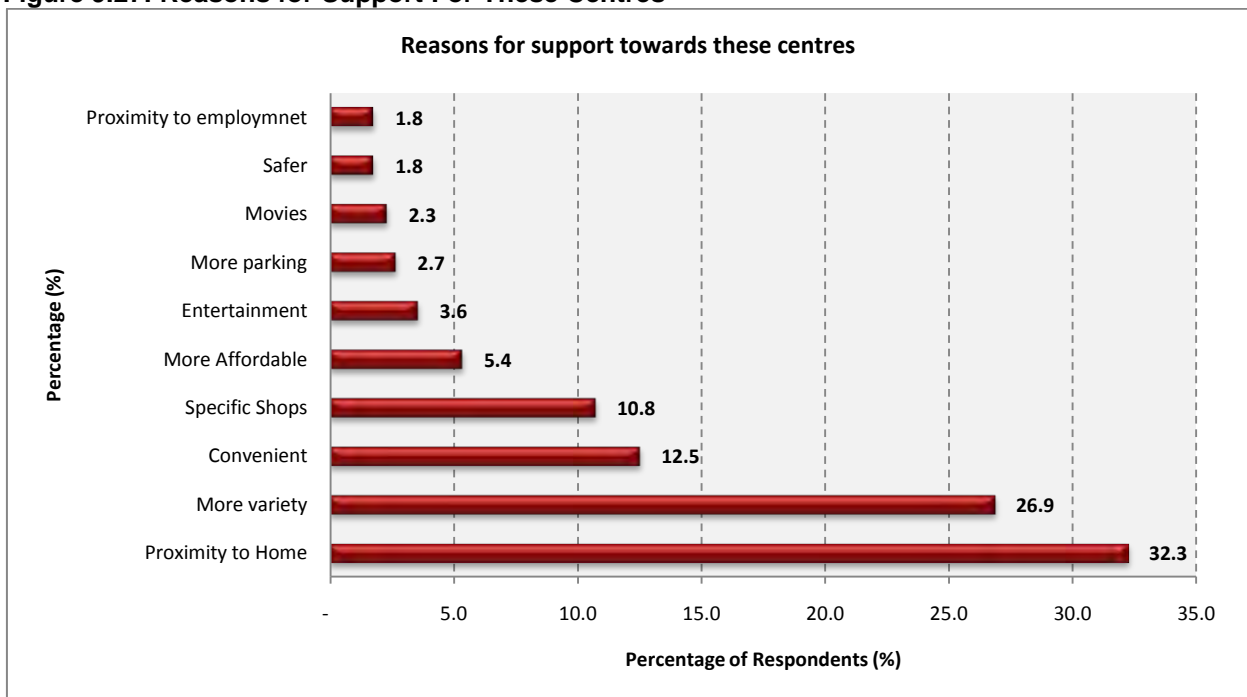
Source: Demacon Household Surveys, 2009

Figure 9.28: After Umlazi Mega City What Percentage of Shopping is Conducted at Local Traders

After Umlazi Mega City- Percentage of Shopping at Local Traders
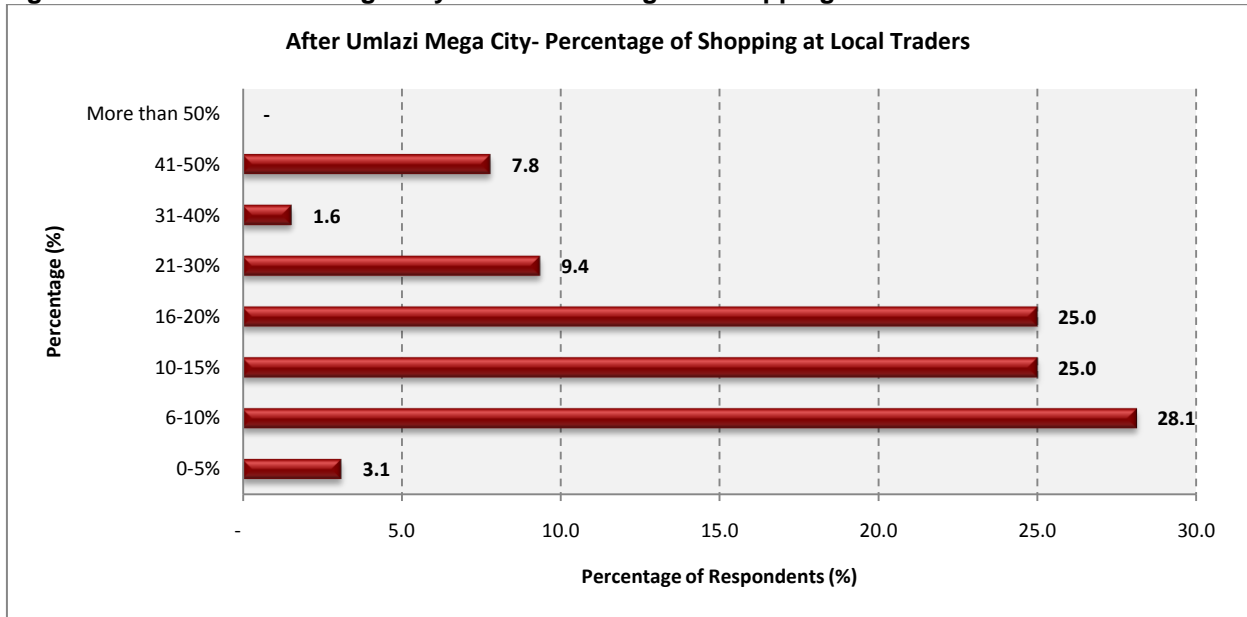
Source: Demacon Household Surveys, 2009

Figure 9.29: Impact of Umlazi Mega City on Local Trader Support

Impact of Umlazi Meg City on Support towards Local Traders
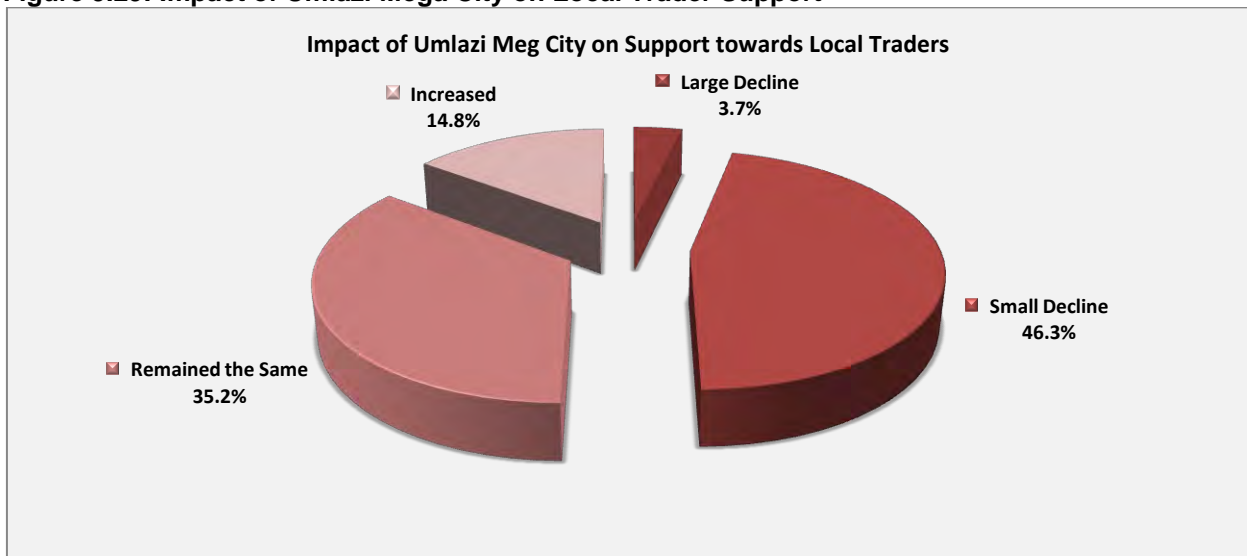
Source: Demacon Household Surveys, 2009

Findings: (Figures 9.26 to 9.30)

✓ 89.7% of respondents indicated that they still support their previously preferred retail centres after the development of Umlazi Mega City.
✓ The dominant reasons for respondents' continued support towards previously preferred retail centres are: proximity to their homes, more variety, convenience, specific shops, better affordaility, entertainment, more parking, cinemas, safety and proximity to place of employment.
✓ Since the development Umlazi Mega City, the majority of respondents conduct between 10% and 20% of shopping at local traders – 50.0%, 28.1% conduct between 6% and 10% of shopping at local traders and 18.8% conduct more than 20% of shopping at local traders. The weighted average support for local traders amounts to **16.5%[83]**.

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[83] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

✓ Overall, the development of Umlazi Mega City has resulted in a slight decline in support for local traders **(46.3%),** followed by **35.2%** of respondents indicating that support remained the same, 14.8% indicated an increase in support and 3.7% indicated a large decline.

✓ In terms of changes to the local trader environment the following were perceived:

- The majority indicated that everything remained the same – 56.1%;
- 8.4% indicated a movement of local businesses closer to the mall;
- 6.5% indicated a closure of local businesses;
- 6.5% indicated a movement of informal traders to locations closer to the mall;
- 4.7% indicated a decline in informal traders;
- 4.7% indicated a movement of local businesses to the mall.

Figure 9.30: Perceived General Trends Pertaining to Local Traders After Development of Umlazi Mega City
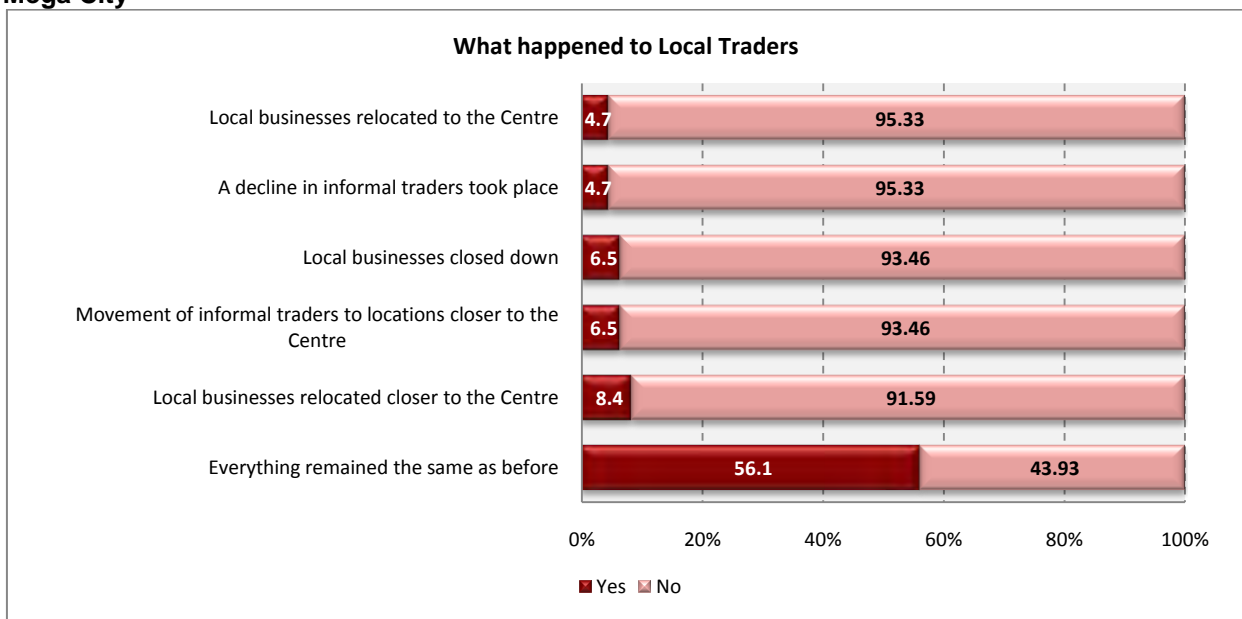
Source: Demacon Household Surveys, 2009

Figure 9.31: Average Taxi/Bus Fares
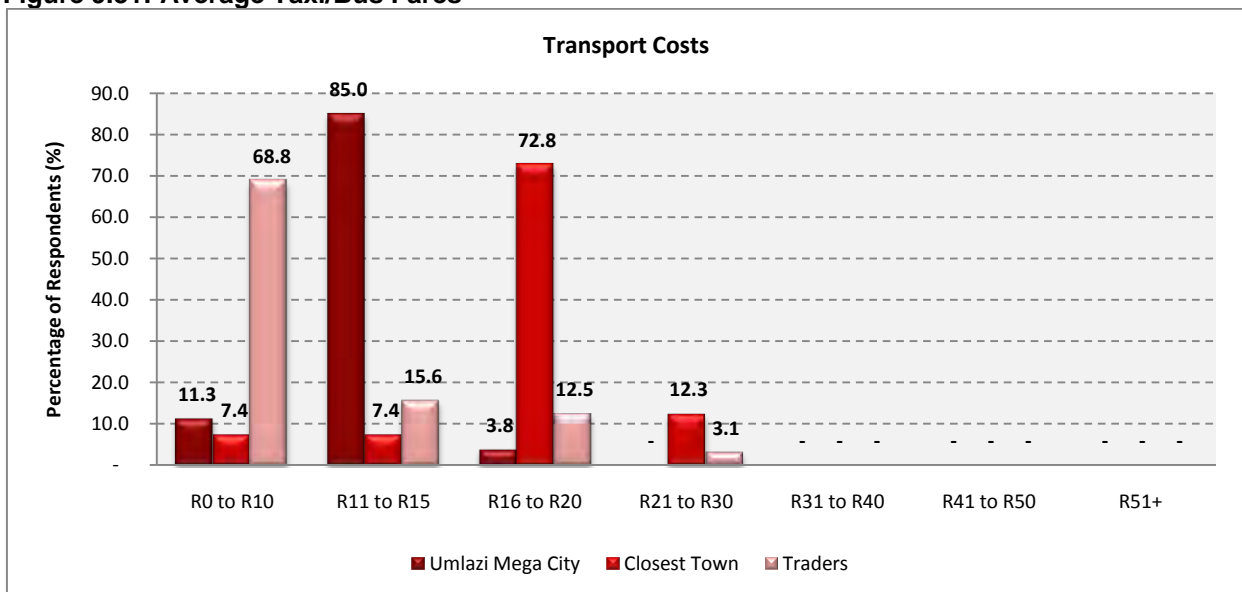
Source: Demacon Household Surveys, 2009

Figure 9.32: To What Extent Do Higher Transport Fares Deter you from Buying Outside the Local Area?
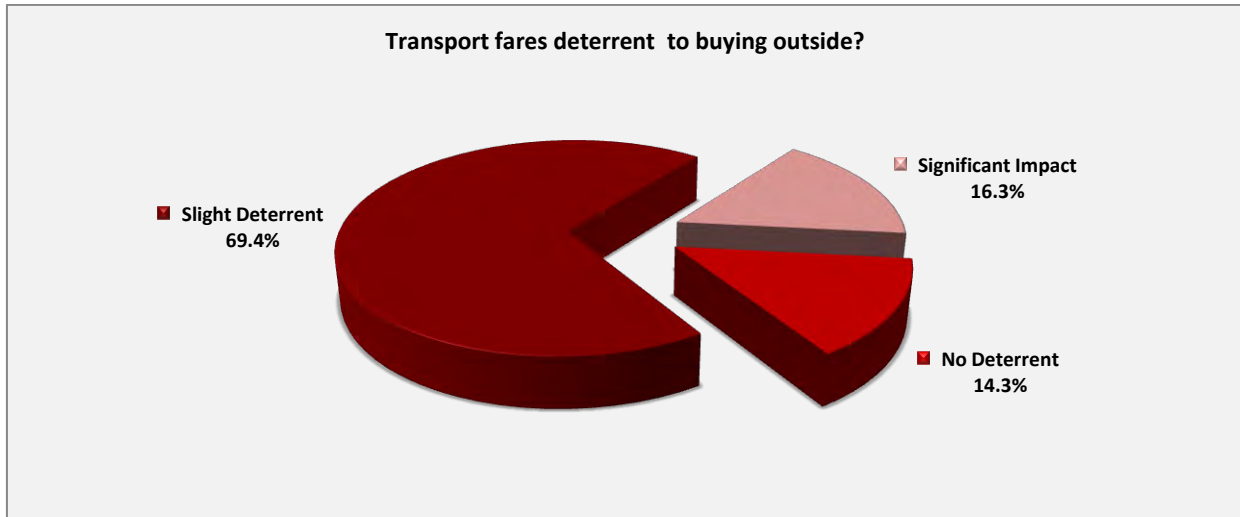
Source: Demacon Household Surveys, 2009

Figure 9.33: Transport Fares That Would Support Shopping Outside the Area
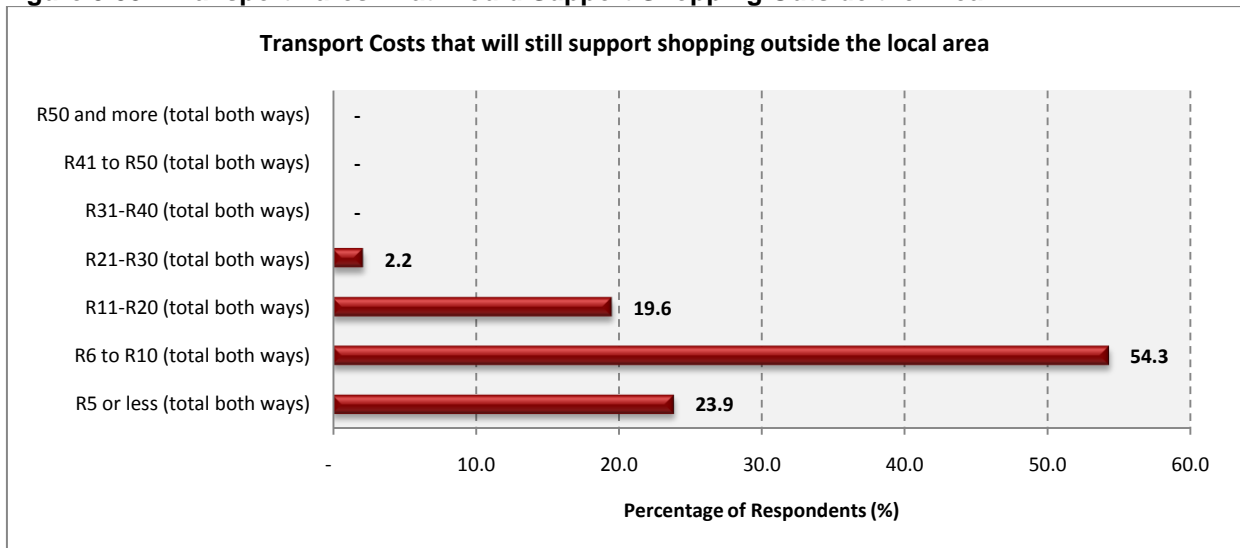
Source: Demacon Household Surveys, 2009

Findings: (Figures 9.31 to 9.33)

✓ In terms of the travel fares to Umlazi Mega City, the majority of respondents pay between R11 and R15 for a round trip – 85.0%, followed by 11.3% of respondents indicating that they pay less than R10 for a round trip. The average weighted travel fare for a round trip to Umlazi Mega City is **R12.30.**

It is important to note that the development of Umlazi Mega City had a positive impact on the cost of transport to formal retail centres. Before Umlazi Mega City 37.3% of respondents paid more than R15 taxi / bus fares to reach a formal retail centre. After the development of Umlazi Mega City this percentage declined to a mere 3.7%.

✓ In terms of travel fares to the closest town; the majority of respondents indicated that they pay between R16 and R20 for a round trip – 72.8%, followed by 14.8% indicating that they pay less than R16 and 12.3% indicated that they spend between R21 and R30 for a round trip. The average weighted fares for a round trip to the closest town amount to **R17.60.**

✓ In terms of travel fares to local traders; the majority of respondents indicated that they pay less than R10 for a round trip – 68.8%, followed by 18.1% indicating that they pay between R11 and R20 and 3.1% indicating costs of between R21 and R30. The average weighted travel fares to local traders amount to **R8.50.**

✓ The majority of respondents indicated that transport fares represent a slight deterrent to their shopping outside of the area – **69.4%.** A small segment of 16.3% indicated that they represent a significant deterrent and 14.3% indicated that they do not represent a deterrent at all.

✓ The majority of respondents indicated that for transport fares of less than R10 for a round trip they would support shopping outside the area – 78.2%. This is followed by 19.6% of respondents indicating an amount between R11 and R20 and 2.2% indicating amounts between R21 and R30. The average weighted transport fares promoting shopping outside the area amount to **R8.53** for a round trip.

Overall, it is evident that transport fares in themselves do not represent a dominant determining factor as to whether people will conduct retail expenditure outside of the local area. Increased transport costs of 10% will not necessarily result in a 10% increase in local retail expenditure. In general consumers are willing to pay higher transport fares to reach larger centres such as a CBD with a wider product offering. Say, for example, they are willing to pay R10 to reach a larger retail centre (double the transport fares to a closer smaller retail centre), however, they will reconsider this retail location preference if transport fares escalates to R30 for a round trip. Overall, it is therefore evident that transport fares do not represent the dominant retail location factor, but that local product offering and critical mass are more important.

Figure 9.34: Average Travel Time
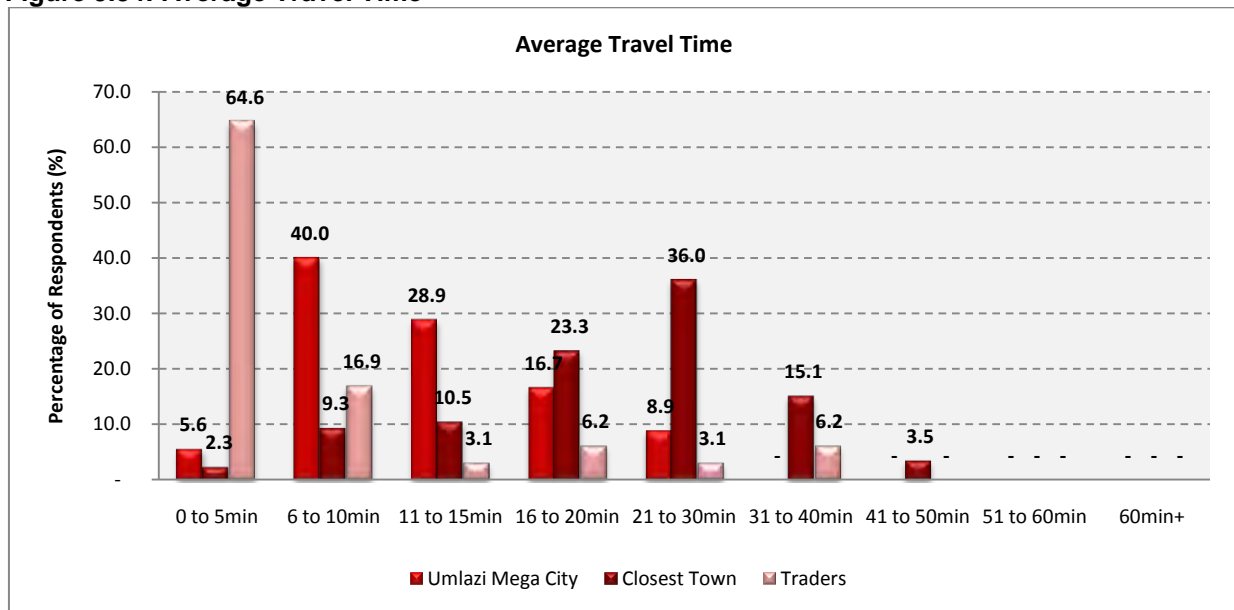
Source: Demacon Household Surveys, 2009

Findings: (Figure 9.34)

✓ The average travel time to Umlazi Mega City – the largest segment of respondents indicated travel times of between six and 10 minutes – 40.0%, followed by 28.9% of respondents indicating travel times between 11 and 15minutes, 16.7% indicating travel times between 16 and 20 minutes, 8.9% indicating travel times between 21 to 30 minutes and only 5.6% indicating travel times below five minutes. The average weighted travel time to Umlazi Mega City amounts to **12.4 minutes**.

It is important to note that the development of Umlazi Mega City had a positive impact on travel times to formal retail centres. Before the development of Umlazi Mega City 45.3% of respondents travelled for fewer than 15 minutes to a formal retail centre. After the development of Umlazi Mega City this percentage increased to a total of 74.5%.

✓ The majority of respondents indicated average travel times of 21 to 30 minutes to the closest town – 36.0%, this is followed by 18.6% indicating travel times between 31 and 50 minutes, 23.3% indicating travel times between 16 and 20 minutes, 10.5% indicating travel times between 11 and 15 minutes and 14.9% indicating travel times below 10minutes. The average weighted travel time to reach the closest town amounts to **22.5 minutes.**

✓ The majority of respondents indicated average travel times below five minutes to reach local traders – 64.6%, this is followed by 16.9% indicated travel times of between six and 10 minutes, 9.3% indicated travel times between 11 and 20 minutes and 9.3% of respondents indicated travel times of up to 40 minutes. The average weighted travel time amounts to **7.4 minutes**.

9.4.4   FREQUENCY OF VISITS AND DWELL TIME

Subsequent paragraphs provide information on the changes in visits to Umlazi Mega City over the past year, the main purpose of visits to Umlazi Mega City, the time preferred to conduct shopping and entertainment and average dwell time on a typical visit.

Figure 9.35: Changes to Visits Over Past Year
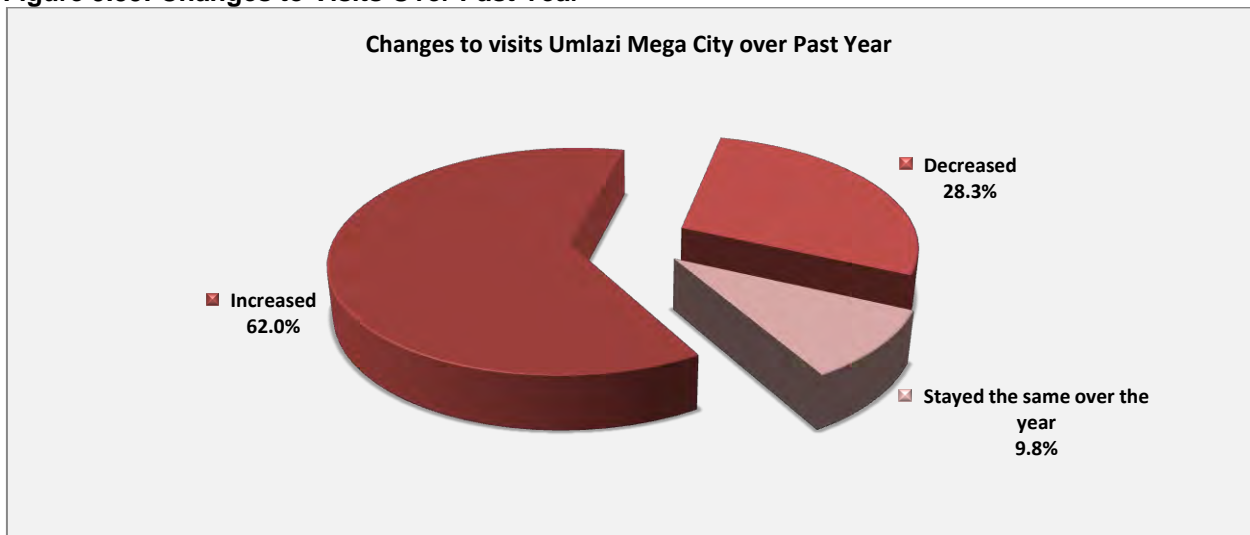
Source: Demacon Household Surveys, 2009

Figure 9.36: Main Purpose for Visiting Umlazi Mega City
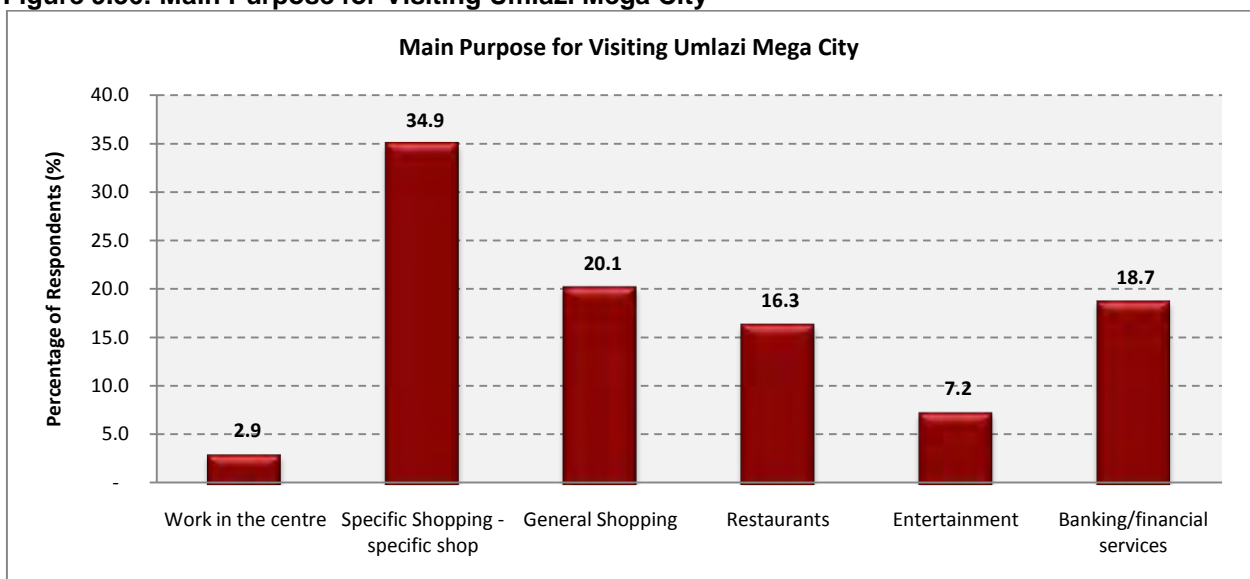
Source: Demacon Household Surveys, 2009

Figure 9.37: Preferred Time of the Day
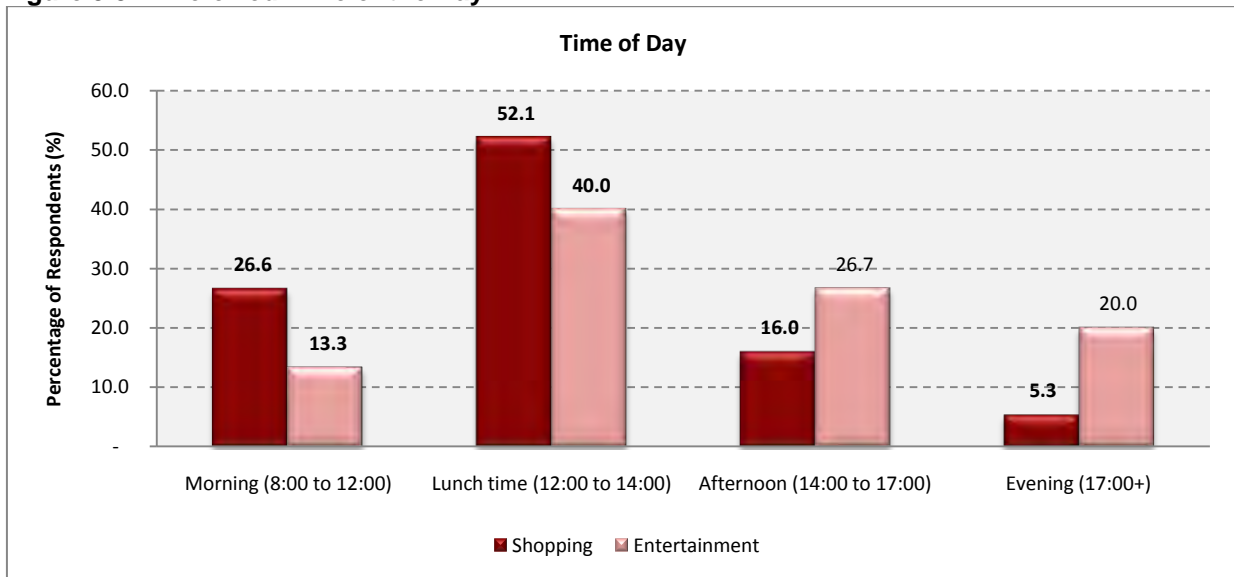
Source: Demacon Household Surveys, 2009

Figure 9.38: Average Dwell Time on Typical Visit
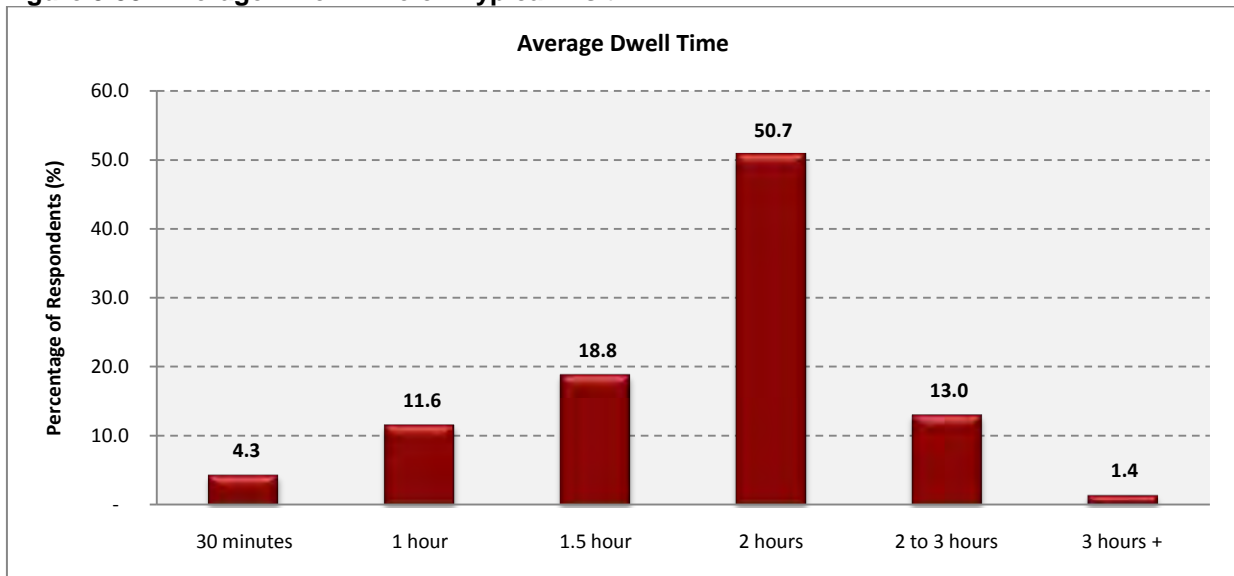
Source: Demacon Household Surveys, 2009

Findings: (Figures 9.35 to 9.38)

✓ The majority of respondents indicated that their visits to Umlazi Mega City have increased over the past year – 62.0%, 9.8% indicated that their visits remained the same and a relatively large segment of 28.3% indicated that their visits declined.

✓ The main purpose for visiting Umlazi Mega City is for visits to specific shops – 34.9%, followed by general shopping (20.1%), banking and financial services (18.7%) and restaurants (16.3%).

✓ The preferred time of the day to shop at the mall is over lunch time (52.1%), in the morning (26.6%), to a lesser extent in the afternoon (16.0%) and evenings (5.3%).

✓ The preferred time of the day to visit the centre for entertainment is over lunch time (40.0%), in the afternoon (26.7%), evenings (20.0%) and to a lesser extent in the morning (13.3%).

✓ The average dwell time is mainly two hours – 50.7%, followed by 18.8% indicating dwell times of 1.5 hours and 13.0% indicating dwell times of between two and three hours.

Smaller percentages of respondents spend less than an hour or more than three hours in the mall.

9.4.5   SATISFACTION WITH UMLAZI MEGA CITY

Subsequent paragraphs rate the overall level of satisfaction in terms of a list of centre aspects, supported by an indication of aspects that should be addressed to attract more consumers. They also look at provision made for informal trade.

Figure 9.39: Overall Level of Satisfaction With Umlazi Mega City

Source: Demacon Household Surveys, 2009

The majority of respondents indicated that they regard Umlazi Mega City as an acceptable retail centre (43.0%), supported by 37.2% of respondents indicating that they are satisfied and 15.1% indicating that they are more than satisfied with Umlazi Mega City as retail centre. A mere 4.7% indicated negative levels of satisfaction.

Table 9.6: Rating of Umlazi Mega City Elements

	Rating					Total
	1	2	3	4	5	
TENANT MIX						
Overall image of the centre	-	6.1	22.2	**37.4**	34.3	100.0
Variety of stores	-	4.4	28.6	**50.5**	16.5	100.0
Presence of local stores/tenants	-	4.4	27.8	**43.3**	24.4	100.0
Presence of national tenants	-	3.4	35.2	**37.5**	23.9	100.0
Location of stores in relation to each other	-	2.4	26.5	**50.6**	20.5	100.0
Clothing Store selection and availability	-	4.7	31.8	**50.6**	12.9	100.0
Convenience services selection and availability	-	4.9	34.1	**41.5**	19.5	100.0
Books / cards / stationery shop selection and availability	-	7.1	25.9	**51.8**	15.3	100.0
Entertainment and restaurant selection and availability	3.4	13.6	30.7	**39.8**	12.5	100.0
Health and beauty selection and availability	-	9.5	33.3	**45.2**	11.9	100.0
Home furnishing and furniture selection and availability	1.2	11.1	30.9	**44.4**	12.3	100.0
Bank / ATM location and selection	1.1	9.0	29.2	**42.7**	18.0	100.0
Availability and selection of speciality shops	1.3	11.8	28.9	**42.1**	15.8	100.0
PARKING AND ACCESS						
Convenience of the centre's location within the area	-	7.5	23.8	**36.3**	32.5	100.0
Transport to the centre	-	4.2	29.2	**45.8**	20.8	100.0
Link to public transport – taxi/bus ranks	-	-	33.3	**52.4**	14.3	100.0
Accessibility of parking	-	3.6	27.4	**40.5**	28.6	100.0
Adequacy of parking	-	3.6	28.6	**35.7**	32.1	100.0
Ease of access to the entrance of the centre from parking	-	2.5	29.1	**41.8**	26.6	100.0
FACILITIES						
Adequacy / quality of bathroom facilities	-	9.1	15.9	**39.8**	35.2	100.0
Adequacy of disability facilities	-	3.8	25.3	32.9	**38.0**	100.0
Availability of information kiosks and staff	-	5.1	**32.9**	30.4	31.6	100.0
Sufficiency of lifts / escalators	2.4	4.9	**39.0**	24.4	29.3	100.0
Availability of mall layout plans and centre signage	2.5	5.0	28.8	28.8	**35.0**	100.0

	Rating					Total
	1	**2**	**3**	**4**	**5**	
CLEANING						
The overall cleanliness of the centre	-	6.0	17.0	37.0	**40.0**	100.0
MAINTENANCE						
The overall maintenance of the centre	1.1	-	20.0	**40.0**	38.9	100.0
SECURITY						
Safety in the shopping centre and parking area	2.0	2.0	17.0	**43.0**	36.0	100.0
LANDSCAPING AND AESTHETICS						
Overall design and features of the centre	1.1	1.1	14.8	38.6	**44.3**	100.0

Source: Demacon Household Surveys, 2009

Findings: (Table 9.6)

✓ It is evident that the majority of tenants are satisfied with the tenant mix of Umlazi Mega City – rating it as good. However, aspects that could be improved include entertainment and restaurants, home furnishing and furniture and speciality stores.

✓ The majority of respondents also rated the parking facilities as good.

✓ In terms of public facilities, the majority of respondents rated the bathroom facilities, facilities for the disabled and availability of mall layout plans as good to excellent. However, the majority only rated the availability of information kiosks and sufficiency of lifts and escalators as acceptable.

✓ The overall cleanliness, maintenance, landscaping and aesthetics of the mall are rated as good to excellent by the majority of respondents.

Figure 9.40: Perceived Aspects That Should Be Addressed to Attract More Consumers
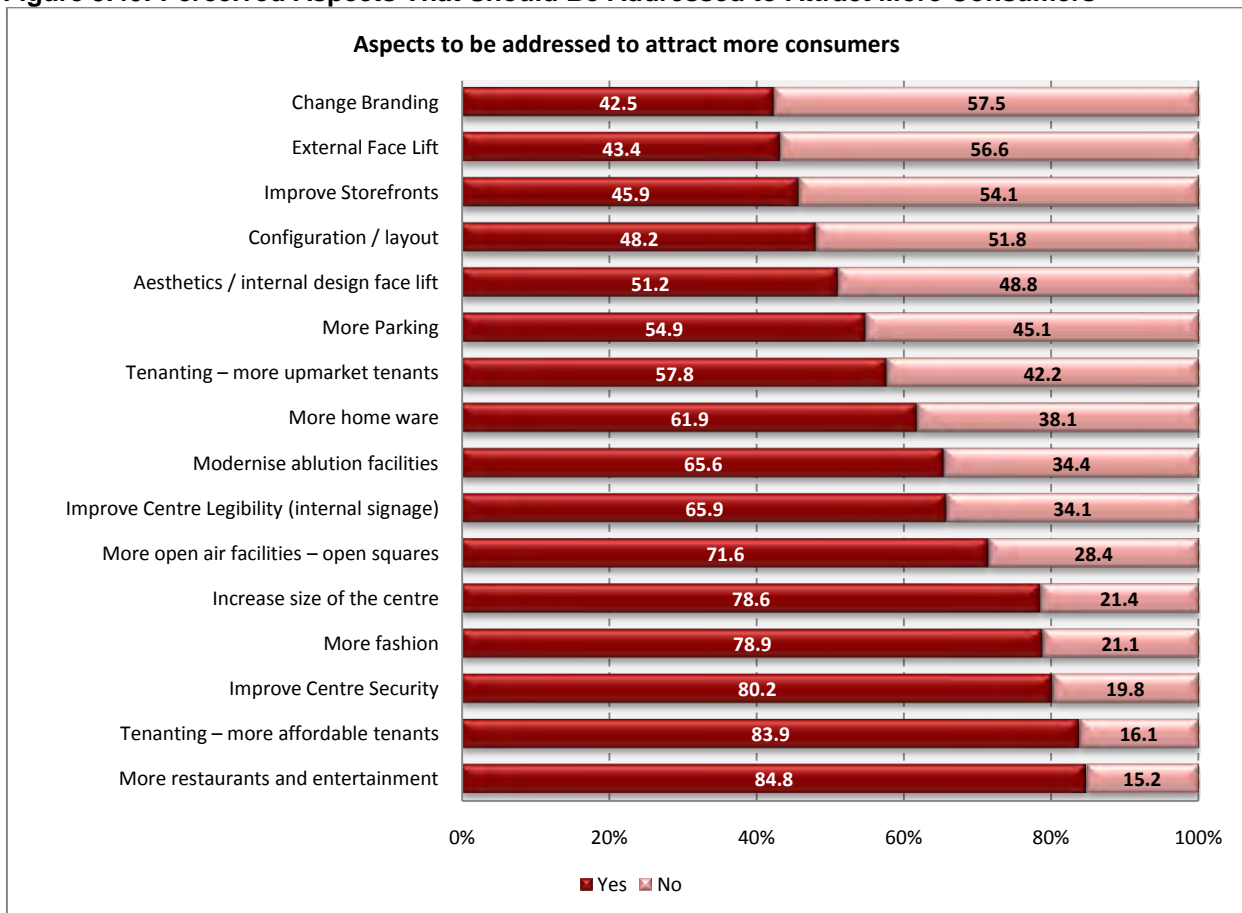
Source: Demacon Household Surveys, 2009

Findings: (Figures 9.40 and 9.41)

✓ The dominant perceived aspects that should be addressed include:
   • More restaurants and entertainment;
   • More affordable tenants;
   • Improve centre security;
   • More fashion;
   • Increase the size of the centre;
   • More open air facilities;
   • Improve centre legibility;
   • Modernise ablution facilities; and
   • Provide more homeware outlets.
✓ The majority of respondents also indicated that provision is made for informal traders.

Figure 9.41: Provision Made for Informal Traders
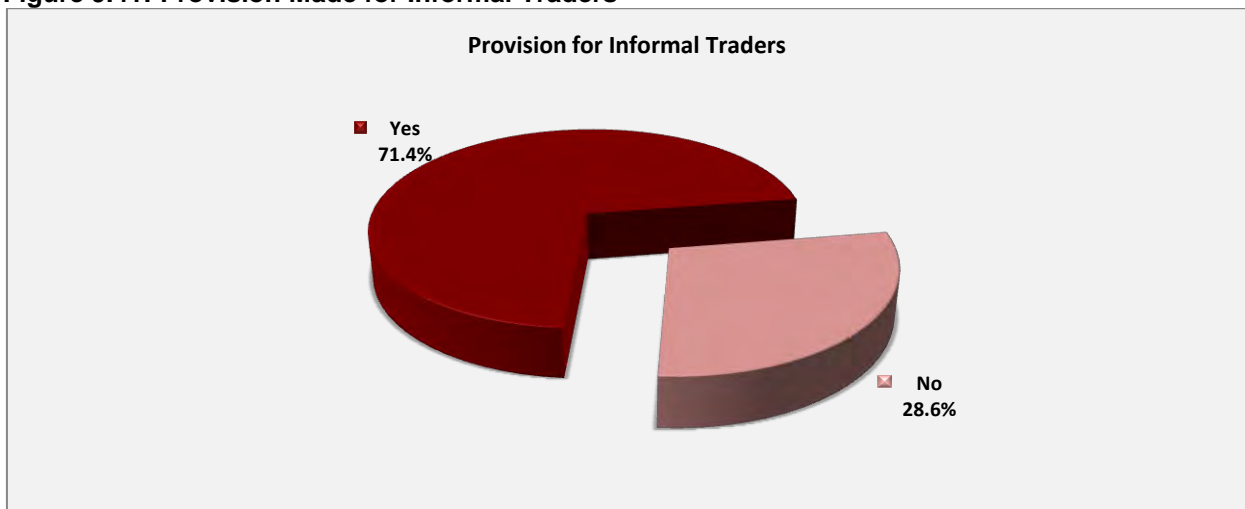
Source: Demacon Household Surveys, 2009

9.4.6   NEED TO EXPAND UMLAZI MEGA CITY

Consumers indicated the perceived need to expand Umlazi Mega City, showing the primary emphasis of the extension.

Figure 9.42: Perceived Need to Expand Umlazi Mega City
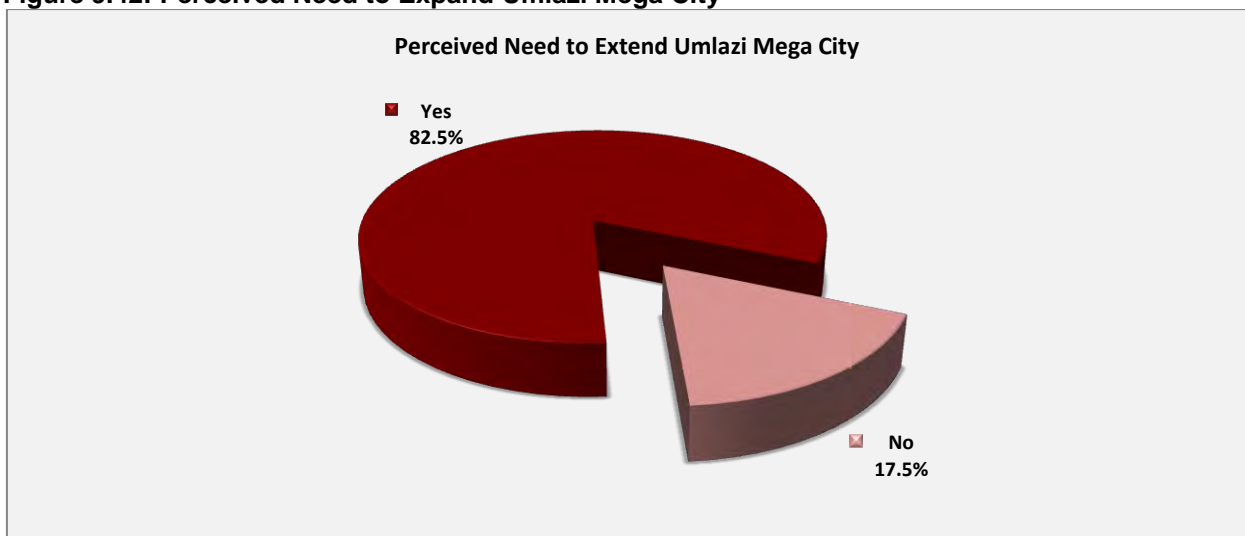
Source: Demacon Household Surveys, 2009

Findings: (Figures 9.42 and 9.43)

✓ The majority of respondents reflected a perceived need to extend Umlazi Mega City – **82.5%**

✓ The preferred primary emphasis of this extension should be on entertainment, restaurants, convenience/food grocer, financial services, clothing stores and health care.

Figure 9.43: Preferred Primary Emphasis of Extension
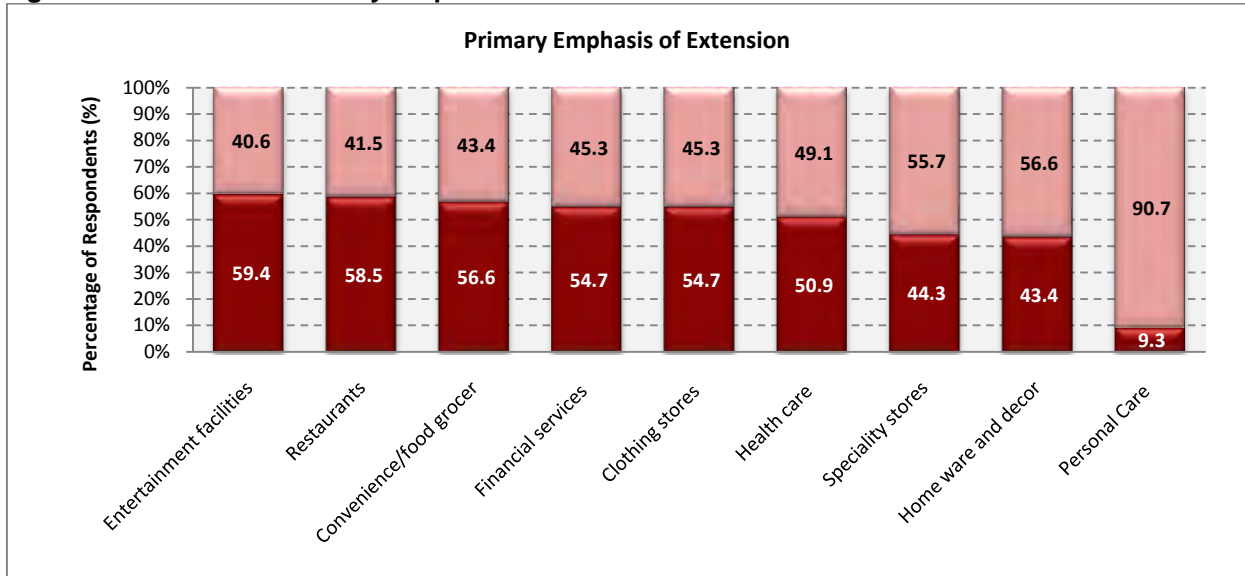
Source: Demacon Household Surveys, 2009

9.4.7 OVERALL IMPACT OF UMLAZI MEGA CITY

Consumers gave feedback on the overall impact that the development of Umlazi Mega City had locally.

Figure 9.44: Overall Impact of Umlazi Mega City
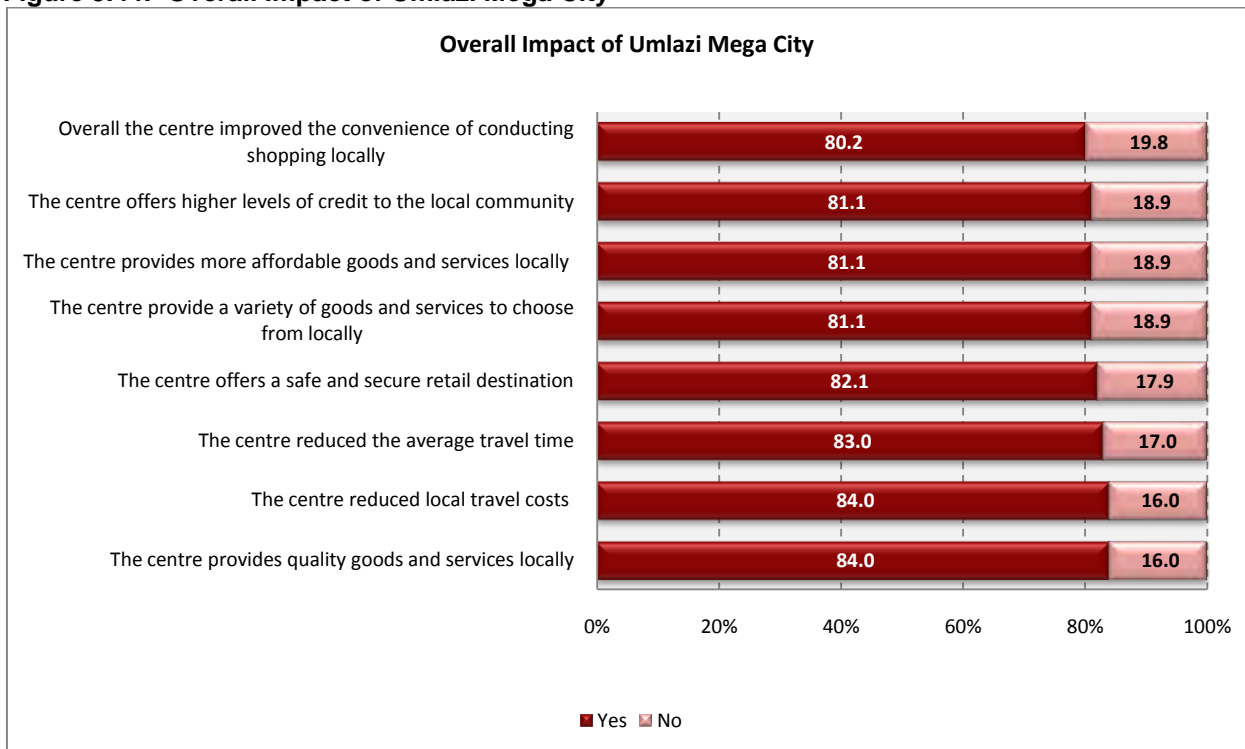
Source: Demacon Household Surveys, 2009

Findings: (Figure 9.44)

The development of Umlazi Mega City resulted in the following dominant impacts:

1. The centre provides quality goods and services locally;
2. The centre reduced travel costs;
3. The centre reduced average travel time;
4. The centre offers a safe and secure retail destination;
5. The centre provide a variety of goods and services to choose from locally;
6. The centre provides more affordable goods and services locally;
7. The centre offers higher levels of credit to the local community than local traders.

9.4.8   LIVING STANDARD AND AVERAGE ANNUAL INCOME

Consumers indicated changes that took place in their living standard over the past five to 10 years, supported by an indication of monthly household income and contributions from remittances and social grants.

These factors provide important base information regarding household income, sources of income and changes affecting the overall level of disposable income. In general, changes inaspects had a direct impact on changes to living standards. These changes in living standards are therefore not directly linked to the development of Umlazi Mega City, but are also influenced by an array of factors listed below.

Figure 9.45: Changes in Living Standards – 5 to 10yrs
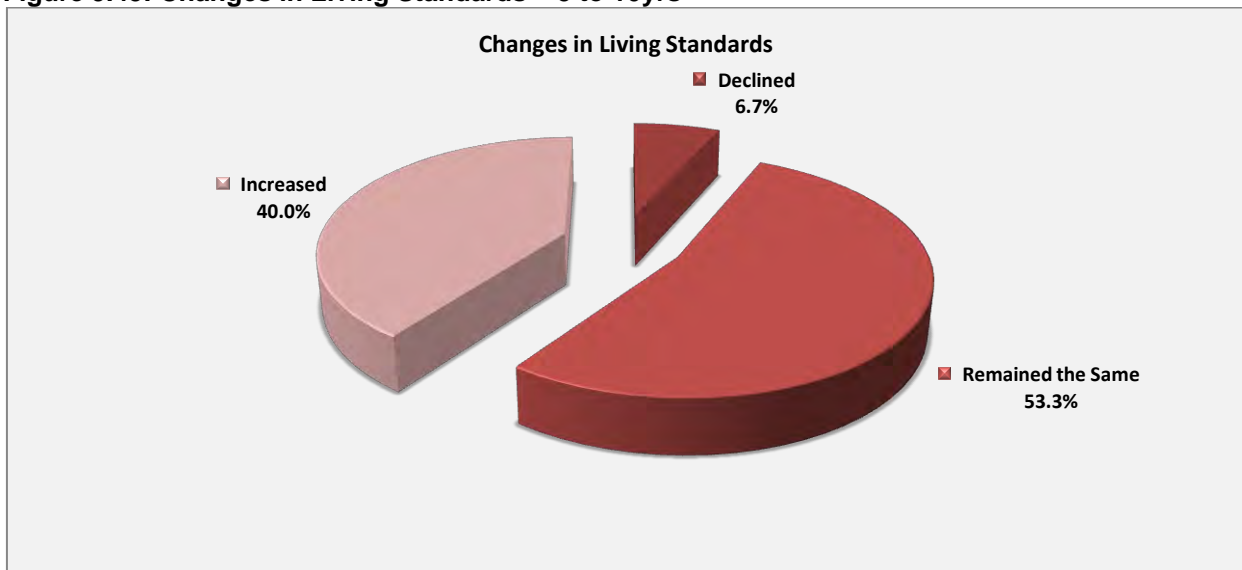
Source: Demacon Household Surveys, 2009

Figure 9.46: Average Monthly Household Income Before Deductions

Average Monthly Household Income

Rand/Month	Value
25 001-30 000+	5.3
20 001-25 000	2.6
15 001-20 000	18.4
10001-15000	10.5
6001-10000	23.7
4001-6000	15.8
2501-4000	13.2
2001-2500	5.3
1501-2000	2.6
1001-1500	2.6
251-1000	-
0-250	-

Percentage of Respondents (%)
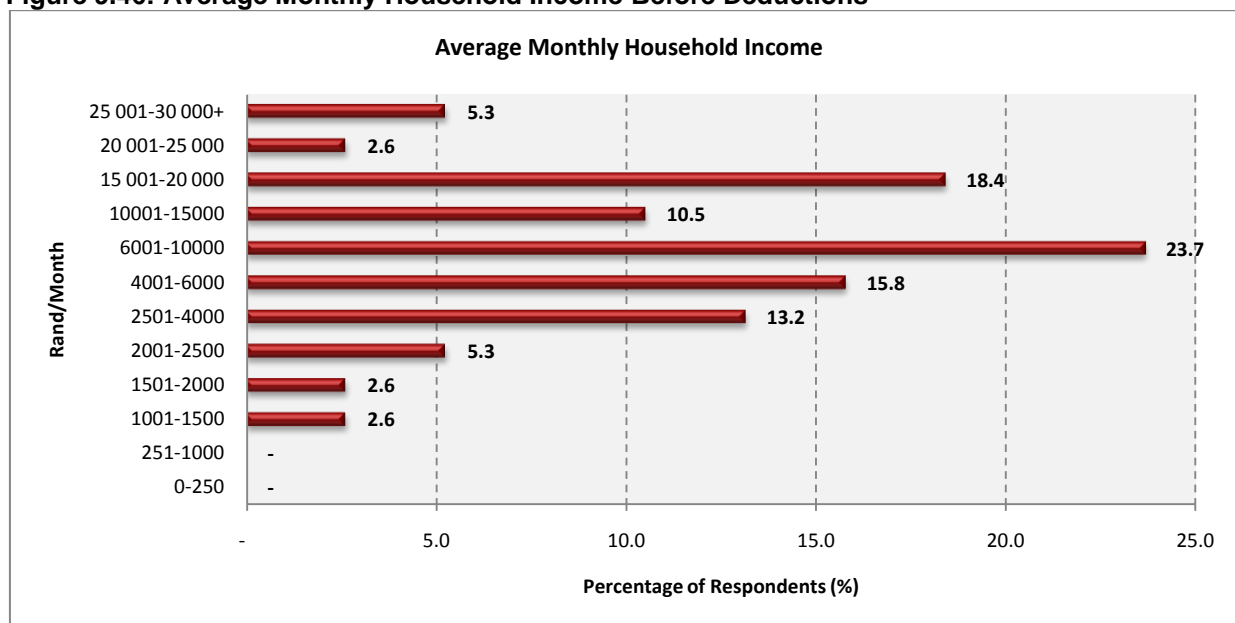
Source: Demacon Household Surveys, 2009

Findings: (Figures 9.45 to 9.46)

✓ The largest segment of respondents (53.3%) indicated that their living standards remained the same over the past five to 10 years, followed by 40.0% indicating an increase in living standards and 6.7% indicating a decline in living standards.

✓ These changes can largely be ascribed to the economic situation, changes in the area and improved access to services and facilities.

✓ The weighted average monthly household income amounts to **R8 967.61.** This is on par with incomes specified under the socio-economic profile.

✓ In terms of remittances, it was indicated that **8.5%** of respondents obtain a certain percentage of their income from remittances. 11.1% of these respondents receive remittances making up 20% of their monthly incomes, 22.2% indicated that remittances make up 50% of their monthly incomes and 66.7% indicated that they make up 100% of their income.

✓ 2.8% of respondents also indicated that a certain segment of their income originates from the social grant system. Respondents indicated that this constitutes between 30% and 40% of their monthly income.

9.5 SYNTHESIS

This chapter provided an in-depth assessment of Umlazi Mega City, the socio-economic profile of the primary trade area population and past and current consumer behaviour. Overall, the chapter assisted with the identification of the impacts that the development of Umlazi Mega City had on the local community and economy – Table 9.7.

Table 9.7: Impact of the Development of Umlazi Mega City

	Change	Impact
Changes in shopping location:		
Durban Central	48.2% to 28.7%	⬇
Umlazi	10.2% to 35.3%	⬆
Isipingo	24.1% to 13.2%	⬇
Chatsworth	3.6% to 2.2%	⬇
Queensburg	2.2% to 0.0%	⬇
Other Areas	11.7% to 20.6%	⬆

	Change	Impact
Percentage of shopping conducted outside the local areas	49.9% to 34.2%	⬇
Percentage of shopping at local traders	18.9% to 16.5%	⬇
Average transport cost:		
Retail centre	R13.1 to R12.3	⬇
Local traders	R10.6 to R8.5	⬇
Average travel time:		
Retail centre	18.8min to 12.4min	⬇
Local traders	9.4min to 7.4min	⬇
Monthly household retail expenditure	R974.9 to R1 633.1 Umlazi Mega City – R1 016.4	⬆
Impact on local traders:	Slight to large decline in support – 50.0%	⬇
1. **Everything remained the same**	56.1%	**Constant**
2. **Movement of local businesses closer to the mall**	8.4%	**Positive**
3. **Closure of local businesses**	6.5%	**Negative**
4. **Informal traders moved closer to the mall**	6.5%	**Positive**
5. **Decline in informal traders**	4.7%	**Negative**
6. **Movement of local business to the mall**	4.7%	**Positive**
Overall impact of Umlazi Mega City		
1. **Provide good quality goods and services locally**	84.0%	**Positive**
2. **Reduced average travel cost**	84.0%	**Positive**
3. **Reduced average travel time**	83.0%	**Positive**
4. **Centre provides a safe and secure retail destination**	82.1%	
5. **Centre provides a variety of goods and services to choose from locally**	81.1%	**Positive**
6. **Centre offers higher levels of credit locally**	81.1%	**Positive**
7. **Centre provides more affordable goods and services locally**	81.1%	**Positive**

From Table 9.7 it is evident that the overall impact of Umlazi Mega City has been positive, despite the slightly negative perceived impact on support for local traders. Overall, it has improved the retail landscape within the local area; reducing the leakage of buying power, reducing travel costs and travel times, increased local expenditure and improved the overall convenience of shopping locally.

CHAPTER TEN: IN-DEPTH CASE STUDY ANALYSIS – THULA PLAZA

10.1   INTRODUCTION

Thula Plaza represents a community centre located in Thulamahashe, Bushbuck Ridge, Mpumalanga. The purpose of this chapter is multi-fold:

- ✓ Firstly, to provide a profile of the centre under investigation and its location in relation to surrounding supply;
- ✓ Secondly, to provide a socio-economic profile of the primary consumer market of the centre;
- ✓ Thirdly, to provide an overview of past and present consumer market behaviour, overall level of satisfaction, perceived needs and preferences;
- ✓ Fourthly, to determine the overall impact that the development of the centre had on the local community and economy.

10.2   THULA PLAZA PROFILE AND LOCATION WITH REFERENCE TO COMPETITION

10.2.1 THULA PLAZA PROFILE

Table 10.1 provides a condensed profile of Thula Plaza. Overall it is evident that it represents a community centre of 11 404m^2 retail GLA, located at Stand 1594, Thulamahashe, Bushbuck Ridge. It was developed in 1998 and consists of a single retail floor with 36 shops. It is anchored by a Score Supermarket and Boxer Cash 'n Carry.

Table 10.1: Thula Plaza Profile

Centre type	Community centre
Centre size	11 404m^2 retail GLA
Location	Stand 1594, Thulamahashe, Bushbuck Ridge
Date of development	1998
Number of retail floors	1
Number of shops	36
Number of parking bays	Not specified
Anchor tenants	Score Supermarket Boxer Cash 'n Carry
Owner	Community Property Company (Pty) Ltd
Developer	McCormick Property Developments

Source: Demacon Ex. SACSC, 2010

10.2.2 THULA PLAZA LOCATION WITH REFERENCE TO COMPETITION

Map 10.1 indicates that there are no other formal retail centres within 10km from Thula Plaza, however, four other centres are located within 20km from Thula Plaza. Table 10.2 indicates the detail of the centres located within a 20km radius from Thula Plaza.

Map 10.1: Location of Thula Plaza and Other Retail Centres Within and Beyond a 10km Radius
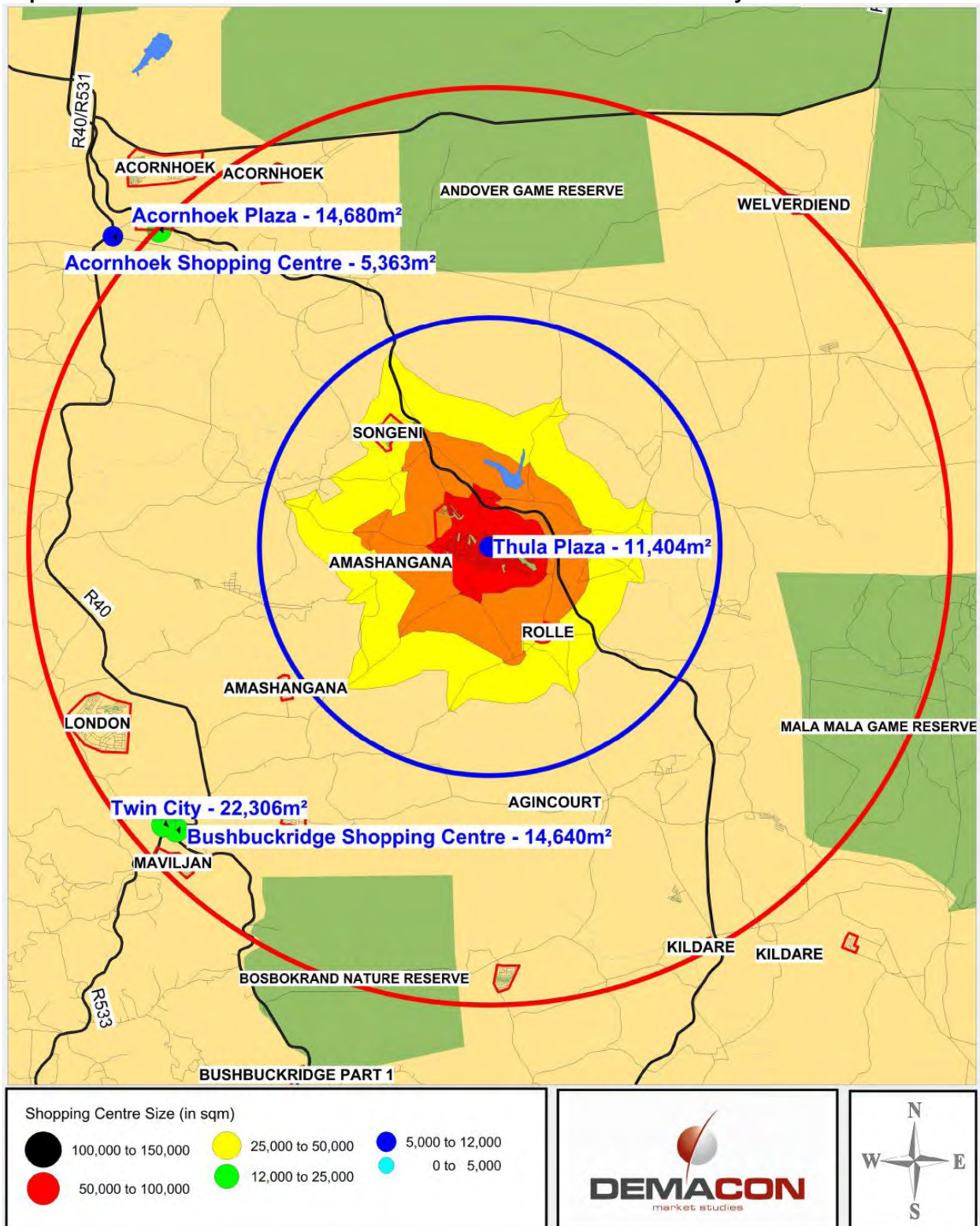
Table 10.2: Existing Supply Within 20km of Thula Plaza

Centre	Location	Size (m²GLA)	Classification	Developed	Shops	Anchors
Twin City – Bushbuckridge Centre	Bushbuckridge	22 306	Community centre	1998	58	Super Spar, Pep, Jet, Ackermans, FNB, Boxer, Std Bank, Ellerines, KFC
Acornhoek Plaza	Acornhoek	14 680	Community	1993	65	Score, Edgars
Bushbuckridge Shopping Centre	Bushbuckridge	14 640	Community	1994	64	Shoprite Checkers
Thula Plaza	Thulamahashe	11 404	Neighbourhood	1998	36	Score, Boxer Cash 'n Carry
Acornhoek Shopping Centre	Acornhoek	5 363	Neighbourhood	1994	16	Barnetts, Price 'n Pride, Pep, Spar, Goldex, Value Furnishers
Total		68 393				

Source: Demacon, 2010

- ✓ There are no other retail centres within 10km, however, there are four other centres within 20km from Thula Plaza.
- ✓ Two are located in Acornhoek and two in Bushbuckridge.
- ✓ These include three community centres and one neighbourhood centre.
- ✓ The sizes of the centres vary between 5 363m² retail GLA and 22 306m² retail GLA.
- ✓ The centres excluding Thula Plaza constitute a total of 56 989m² of retail GLA.
- ✓ None of these centres were developed post 2000.
- ✓ Anchors include Spar, Pep, Jet, Ackermans, Boxer, Standard Bank, Ellerines, KFC, Edgars, Score, Shoprite, Barnetts, Price 'n Pride, Goldex, Value Furnishers.

Overall, Thula Plaza is located in a market area characterised by low levels of supply, and represents the only centre within 10km of its current location.

10.3   CONSUMER MARKET PROFILE

In order to understand the consumer market profile of Thula Plaza, a 10km trade area was delineated – Refer to Map 10.1. Subsequent paragraphs highlight the dominant characteristics of the primary trade area population, in terms of:

- ✓ Population size;
- ✓ Racial profile;
- ✓ Age profile;
- ✓ Level of education;
- ✓ Employment status;
- ✓ Occupation profile and manner of employment;
- ✓ Average annual household income;
- ✓ Mode of transport;
- ✓ Dwelling type.

Table 10.3: Consumer Market Profile, 2010 Estimates

Variable	Primary Source Market Characteristics
Number of people	✓ 65 145
Number of households	✓ 14 598
Household size	✓ 4.6
Household density	✓ 197.6 households/km²
Racial distribution	✓ African blacks – 99.9% ✓ Coloureds – 0.1%
Age profile	✓ 0-14: 42.2% ✓ 15-19: 14.2% ✓ 21-35: 20.9%

Variable	Primary Source Market Characteristics
	✓ 36-65: 17.6% ✓ 65+: 5.0%
Educational attendance (aged 5 to 24 years)	✓ School: 76.5% ✓ None: 20.4% ✓ Pre-school: 2.3% ✓ Other: 0.7%
Highest level of education (aged 20 and older)	✓ Higher: 9.9% ✓ Grade 12: 13.7% ✓ Some secondary: 20.8% ✓ Some primary and primary: 16.3% ✓ None: 39.3%
Level of employment	✓ EAP: 45.2% ✓ Employed: 31.9% ✓ Unemployed: 68.1%
Manner of employment	✓ Paid employees: 83.2% ✓ Self-employed: 10.4% ✓ Family worker: 2.7% ✓ Employer: 3.8%
Occupation profile	✓ Elementary occupations: 26.0% ✓ Technicians and associate professionals: 20.3% ✓ Service workers: 12.6% ✓ Professionals: 11.8% ✓ Clerks: 8.3% ✓ Craft and related trade: 8.2% ✓ Plant and machine operators and assemblers: 7.8% ✓ Legislators, senior officials and managers:3.3%
Weighted average household income[84]	Total market earning an income: ✓ R44 589.1/annum ✓ R3 715.8/month LSM 4 to 10+: ✓ R86 757.8/annum ✓ R7 229.8/month
LSM profile	✓ LSM 1-3: 70.5% ✓ LSM 4-10+: 29.5%
Mode of transport	✓ On Foot: 88.9% ✓ Private Vehicle: 5.6% ✓ Mini-bus: 3.7% ✓ Bus: 0.8%
Dwelling type	✓ House on separate stand: 77.1% ✓ Traditional dwellings: 15.1% ✓ Flat in block of flats: 2.4% ✓ Informal dwellings in backyard: 1.5% ✓ Informal dwelling on separate stands: 1.4%

Source: Demacon Ex. Quantec, 2010

Subsequent figures highlight some of the salient features of the consumer market.

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[84] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Figure 10.1: Age Profile of Consumer Market
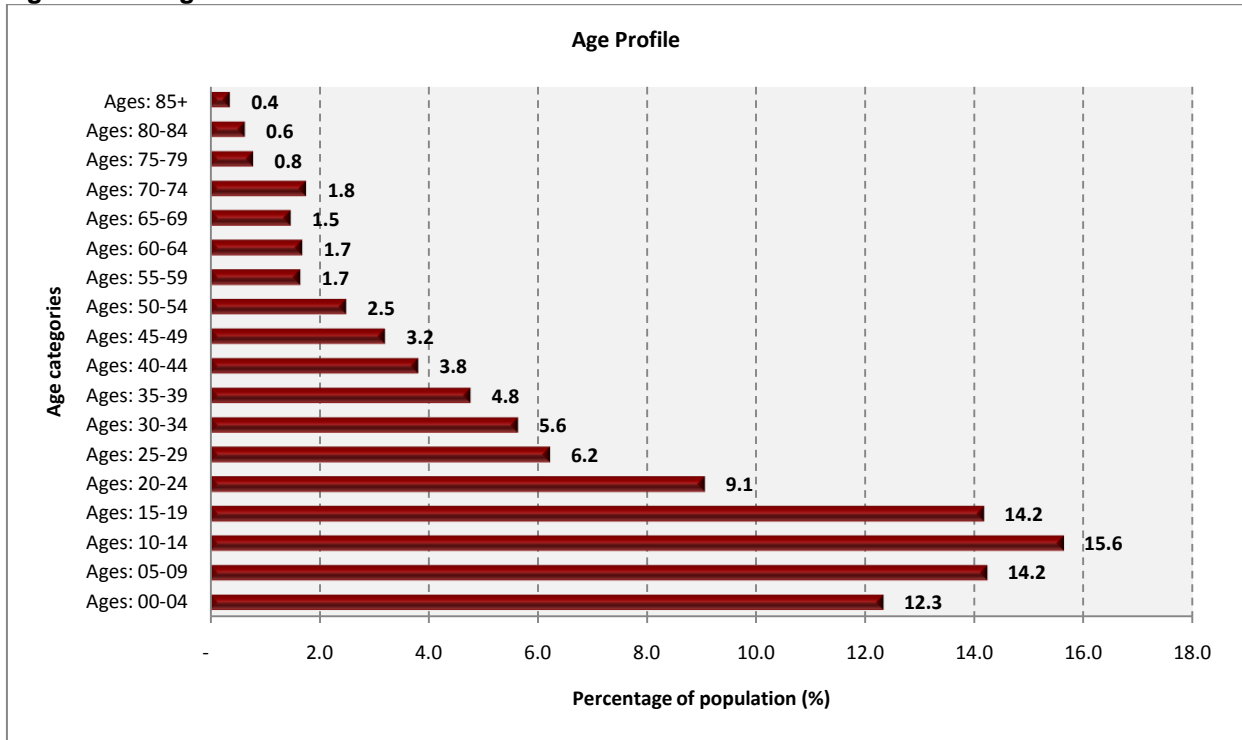
Source: Demacon Ex. Quantec, 2010

Figure 10.2: Employment Status
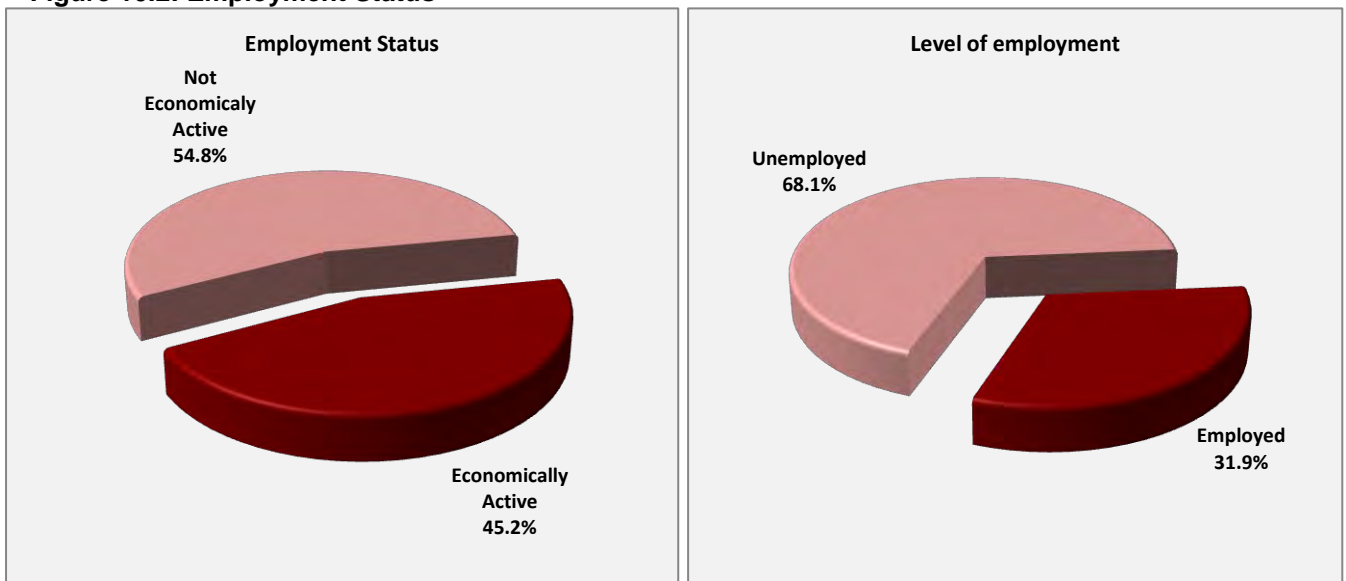
Source: Demacon Ex. Quantec, 2010

Table 10.4: Living Standard Measurement Indicator, 2010

Income category (R/month)	LSM Status	Market Area
Super A income	LSM 10+	0.7
A Income	LSM 10	0.3
B Income	LSM 9	1.9
C Income high	LSM 8	0.8
C Income low	LSM 7	4.6
D Income	LSM 6	6.4
D Lower top	LSM 4 to 5	14.8
D lower end	LSM 1 to 3	70.5

Source: Demacon Ex. Quantec, 2010

Figure 10.3: Average Annual Household Income, 2010
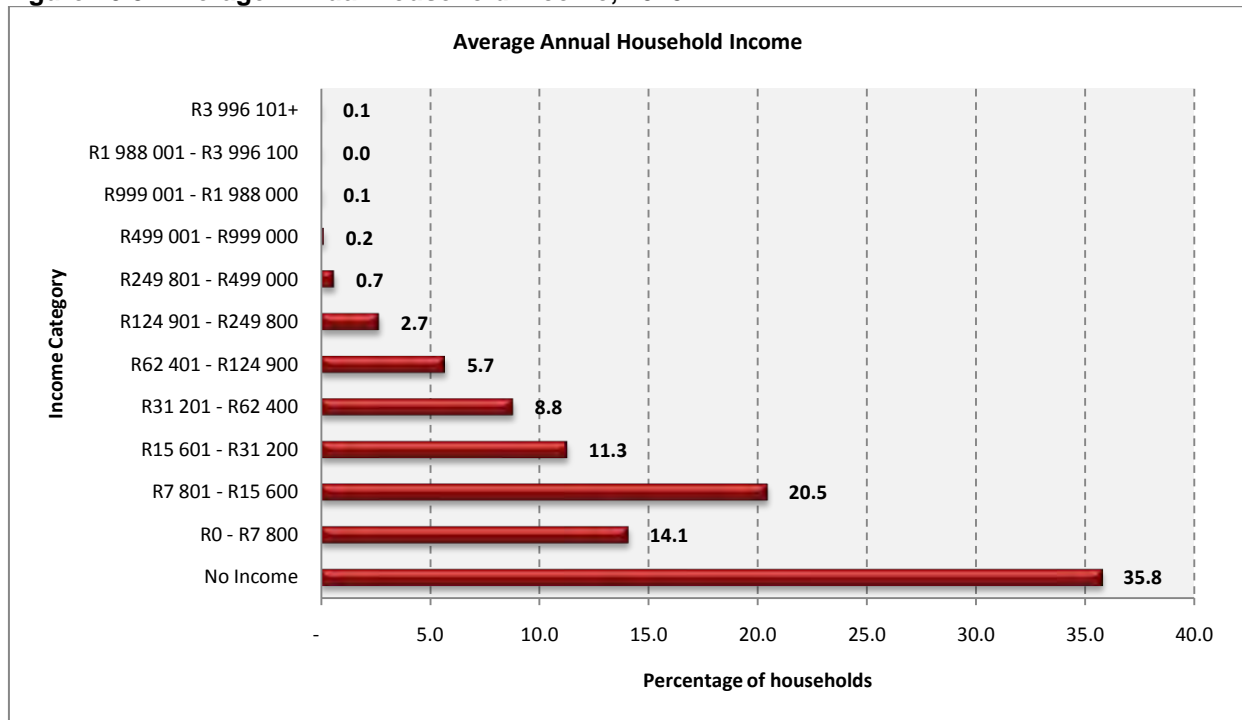
Source: Demacon Ex. Quantec, 2010

Overall the primary consumer market profile reveals the following pertinent characteristics:

✓ At least **14 598** households (2010);
✓ Largely an African black consumer market;
✓ Moderate segment of young and upcoming market segment, supported by more mature adult segment and a very large youth component;
✓ Consumer market characterised by low levels of education;
✓ Relatively small economically active market segment, characterised by low levels of employment – reflecting extremely high dependency ratios;
✓ Occupation profile reflects a dominance of blue collar occupations, supported by a smaller component of white collar occupations. Overall the occupation profile reflects a lower-middle income consumer market characterised by pockets of wealth and poverty;
✓ Weighted average monthly household income of target market (LSM 4 to 10+) approximately **R7 229.8** (2010);
✓ Low living standard levels – **LSM 1 to 3 (70.5%); LSM 4 to 10+ (29.5%);**
✓ A number of factors contribute to the general property development climate in a specific geographical area. The socio-economic factors that provide an initial indication of market potential are levels of education, level of employment, income and standards of living. These factors combined reflect a consumer market with a demand predominantly focused towards the lower to middle spectrum of commercial products and services.

In order to examine the impact that the development of Thula Plaza had on the local community proportionally stratified household surveys were conducted within the 10km radius. Subsequent paragraphs highlight the findings of these surveys.

10.4   IMPACT OF THE DEVELOPMENT OF THULA PLAZA

Household surveys were conducted within the 10km trade radius in order to study past and current consumer behaviour using the development of Thula Plaza as reference point. They also show current levels of satisfaction, perceived demands pertaining to future extensions and preferences pertaining thereto. These findings reveal the overall impact that the centre had on the local community and their consumer behaviour.

The findings of these surveys are addressed under the subsequent main headings:

- ✓ Household information;
- ✓ Past consumer behaviour;
- ✓ Current consumer behaviour;
- ✓ Frequency of visits and dwell time;
- ✓ Level of satisfaction;
- ✓ Need to expand Thula Plaza;
- ✓ Overall impact of the development of Thula Plaza;
- ✓ Living Standard and Average Annual Income.

10.4.1 HOUSEHOLD INFORMATION

In terms of household information the following were addressed: number of households on the premises, average household size, current life stage, age profile of household members, family member mainly responsible for conducting retail purchases, mode of transport, number of breadwinners and suburb of employment.

Figure 10.4: Number of Households on Premises
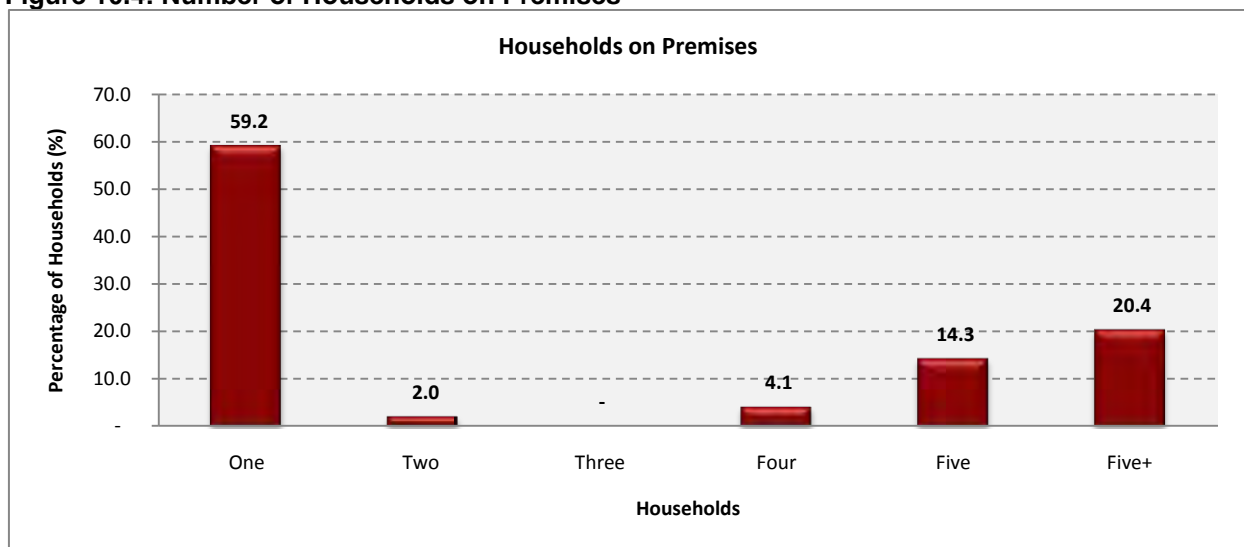
Source: Demacon Household Surveys, 2009

Figure 10.5: Average Household Size
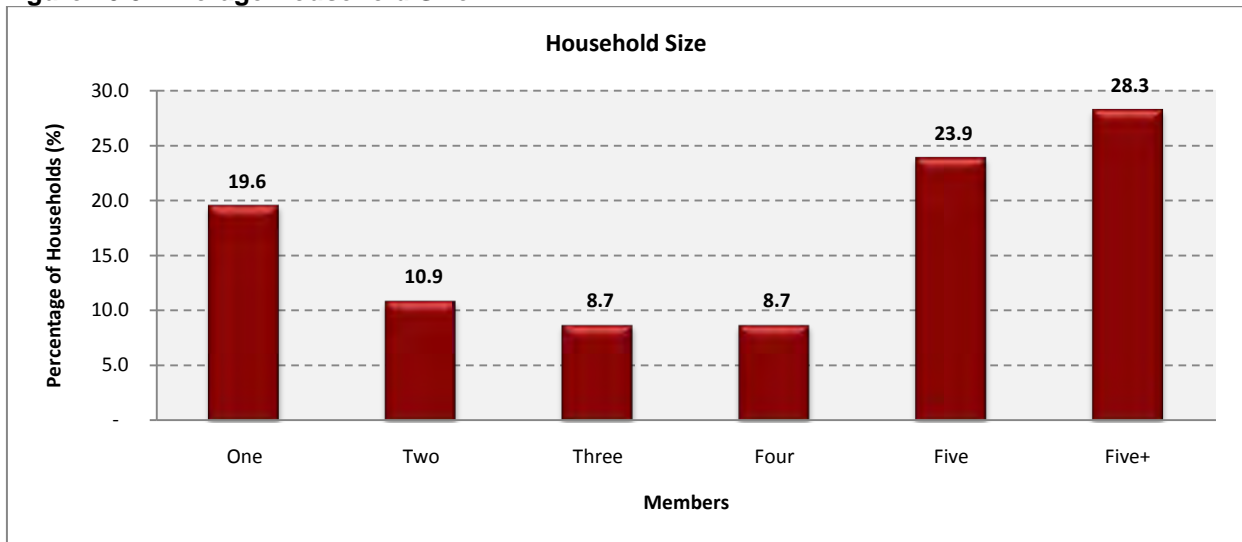
Source: Demacon Household Surveys, 2009

Figure 10.6: Current Life Stage
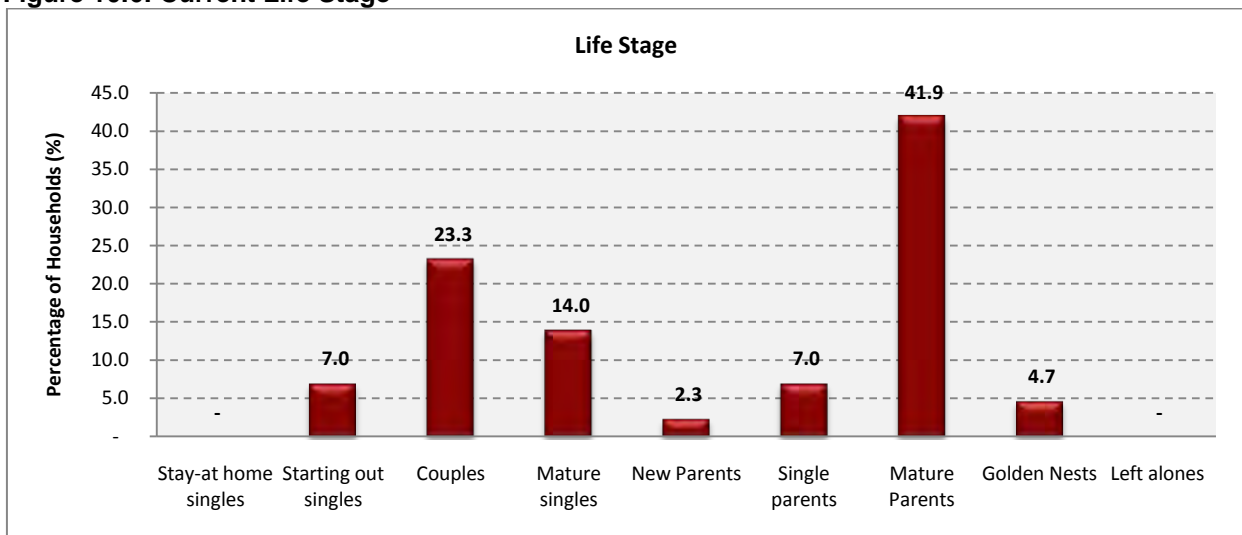
Source: Demacon Household Surveys, 2009

Figure 10.7: Age Profile of Household Members
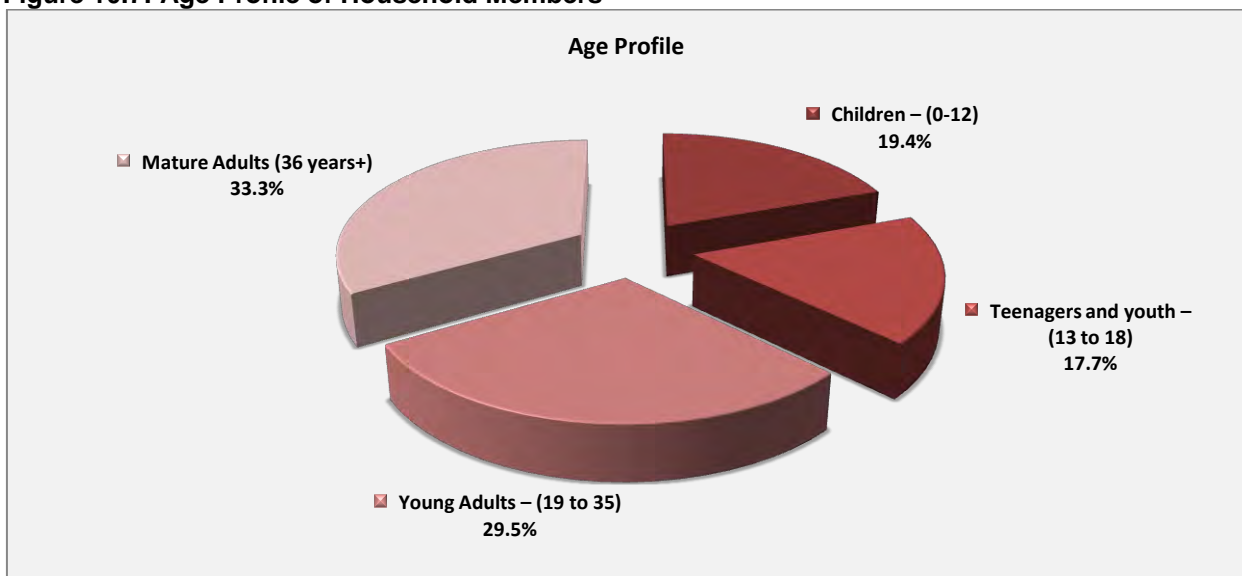
Source: Demacon Household Surveys, 2009

Figure 10.8: Family Member Responsible for Retail Purchases
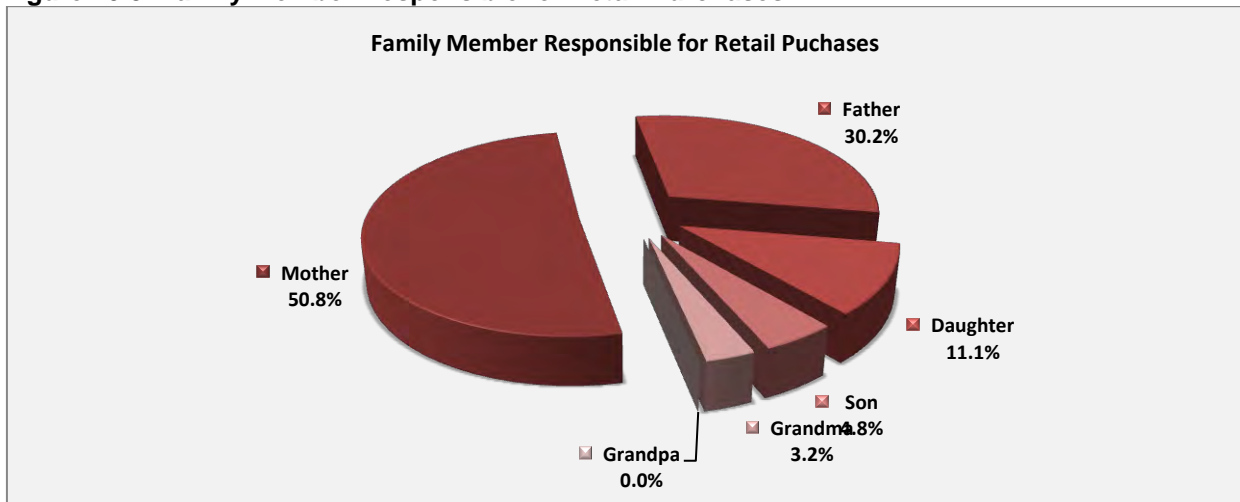
Source: Demacon Household Surveys, 2009

Figure 10.9: Mode of Transport
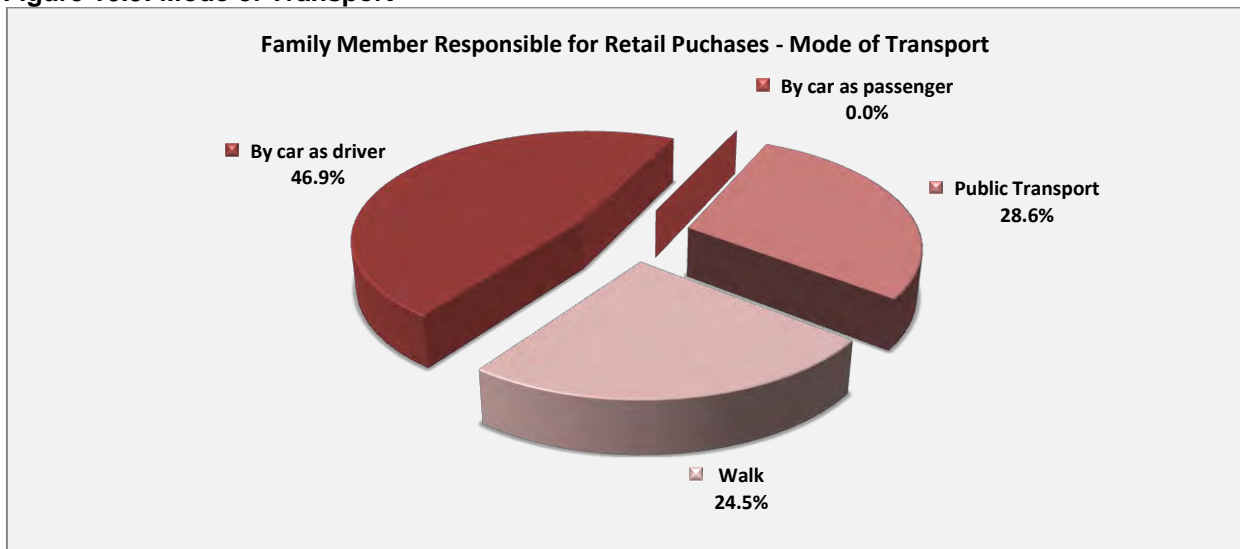
Source: Demacon Household Surveys, 2009

Figure 10.10: Breadwinners per Household
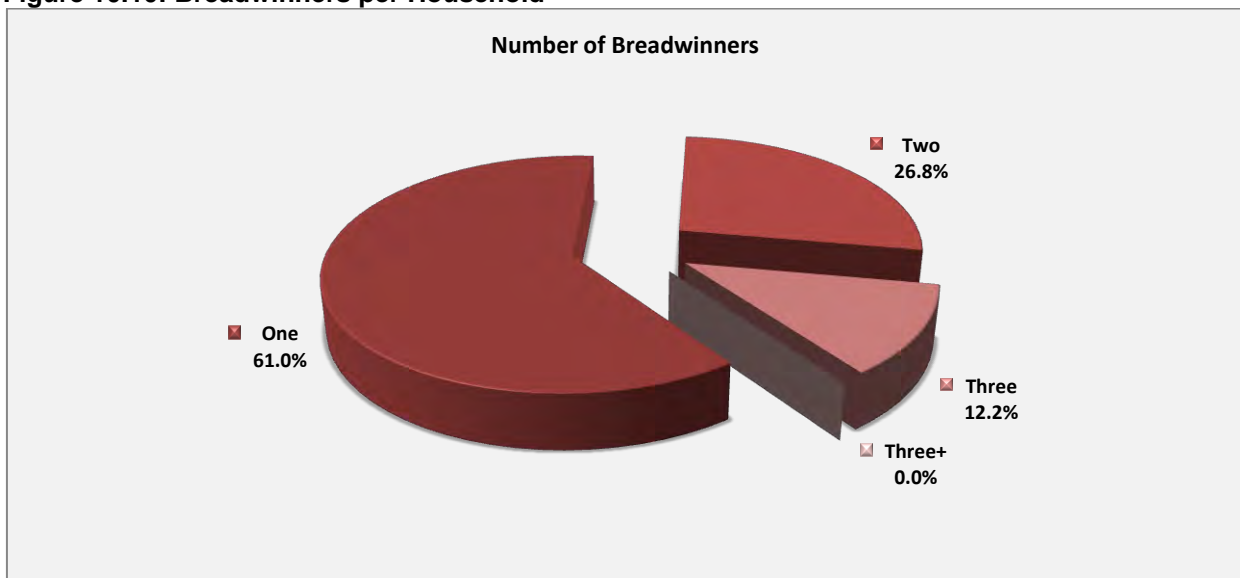
Source: Demacon Household Surveys, 200

Findings: (Figures 10.4 to 10.10)

Consumer market reflects the following household characteristics:

- ✓ There is mainly one household on the premises (59.2%), while 34.7% of respondents have four and more households on the premises.
- ✓ Households mainly consist of four and more members (52.2%).
- ✓ The dominant life stages include mature parents (41.9%), couples (23.3%) and mature singles (14.0%).
- ✓ The age profile of household members reflects a dominant adult population (33.3%), supported by a slightly smaller segment of young adults (29.5%) and children (19.4%) and teenagers (17.7%).
- ✓ The mothers (50.8%), followed by the fathers (30.2%) and daughters (11.1%) are mainly responsible for retail purchases.
- ✓ Persons responsible for retail purchases reach their retail destinations mostly by means of private vehicles (46.9%), public transport (28.6%) or walking (24.5%).
- ✓ The majority of households are characterised by a single breadwinner (61.0%), followed by 26.8% of the households having two breadwinners and a small segment (12.2%) being characterised by more than two breadwinners.
- ✓ These breadwinners are mainly employed in Thulamahashe, Bushbuck Ridge, Hazyview, Acornhoek, Nelspruit and Secunda.

10.4.2 PAST CONSUMER BEHAVIOUR

Subsequent paragraphs address the issue of past consumer behaviour before Thula Plaza was developed. They provide information on where consumers shopped before the mall was developed, what percentage of shopping was conducted outside of the local area, at which centre, the distance to these centres, an indication of expenditure at local traders, household expenditure, transport costs and average time to retail destinations and traders.

Figure 10.11: Retail Location Before Thula Plaza

Before Thula Plaza - Retail Locations

- Hazyview 23.9%
- Acornhoek 20.4%
- Nelspruit 23.9%
- Other Areas 0.9%
- Bushbuck Ridge 31.0%
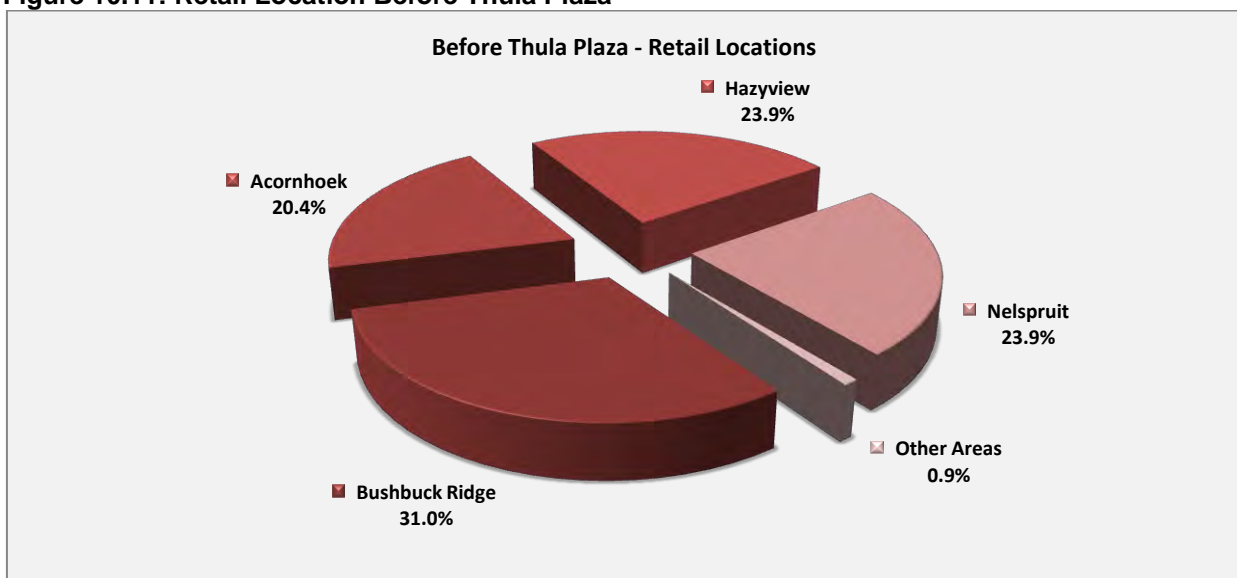
Source: Demacon Household Surveys, 2009

Figure 10.12: Percentage of Shopping Conducted Outside the Local Area Before Thula Plaza
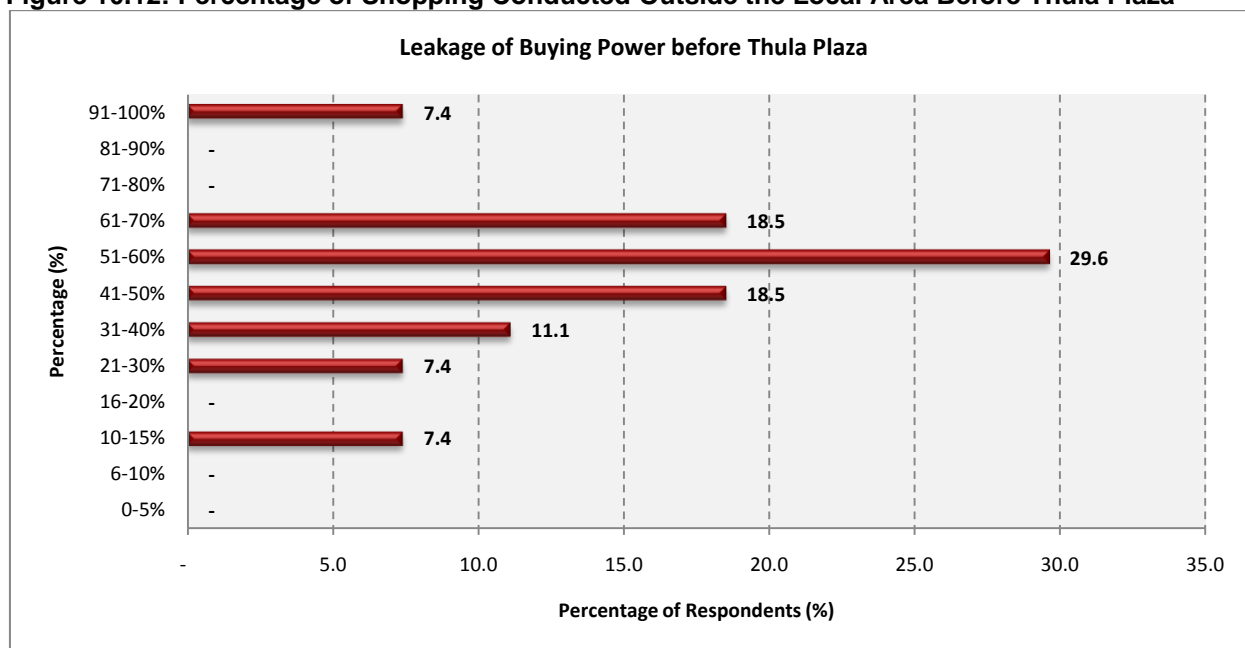
Source: Demacon Household Surveys, 2009

Table 10.5: Preferred Retail Centre Before Thula Plaza

	Centres	Areas
Groceries	Bushbuck Ridge Centre, Twin City (Bushbuck Ridge), Acornhoek Plaza, Twin City Blue Haze, Nelspruit Centres	Bushbuck Ridge, Acornhoek, Hazyview, Nelspruit
Top-up groceries	Acornhoek Plaza, Bushbuck Ridge Centre, Twin City Blue Haze, Twin City Bushbuck Ridge	Acornhoek, Bushbuck Ridge, Hazyview
Clothing /shoes /accessories	Nelspruit Centres, Bushbuck Ridge Centre, Twin City Blue Haze, Acornhoek Plaza, Twin City Bushbuck Ridge	Nelspruit, Bushbuck Ridge, Hazyview, Acornhoek
Furniture and home ware	Nelspruit Centres, Acornhoek Plaza, Bushbuck Ridge Centre, Twin City Hazyview, Twin City Bushbuck Ridge	Nelspruit, Acornhoek, Bushbuck Ridge, Hazyview
Hardware goods	Nelspruit Centres, Acornhoek Plaza, Bushbuck Ridge Centre, Twin City Hazyview, Twin City Bushbuck Ridge	Nelspruit, Acornhoek, Bushbuck Ridge, Hazyview
Gifts books and confectionary	Bushbuck Ridge Centre, Acornhoek Plaza, Twin City Bushbuck Ridge, Nelspruit Centres, Twin City Blue Haze	Bushbuck Ridge, Acornhoek, Nelspruit, Hazyview
Specialty / value goods	Nelspruit Centres, Acornhoek Plaza, Bushbuck Ridge Centre, Twin City Blue Haze, Twin City Bushbuck Ridge	Nelspruit, Acornhoek, Bushbuck Ridge, Hazyview
Entertainment	Nelspruit Centres, Bushbuck Ridge Centre, Acornhoek Plaza, Twin City Blue Haze	Nelspruit, Bushbuck Ridge, Acornhoek, Hazyview
Restaurants	Nelspruit Centres, Bushbuck Ridge Centre, Acornhoek Plaza, Twin City Blue Haze	Nelspruit, Bushbuck Ridge, Acornhoek, Hazyview
Personal care	Nelspruit Centres, Acornhoek Plaza, Bushbuck Ridge Centre, Twin City Bushbuck Ridge	Nelspruit, Acornhoek, Bushbuck Ridge, Hazyview
Services & other	Nelspruit Centres, Bushbuck Ridge Centre, Acornhoek Plaza, Twin City Blue Haze, Twin City Bushbuck Ridge	Nelspruit, Bushbuck Ridge, Acornhoek, Hazyview

Source: Demacon Household Surveys, 2009

Figure 10.13: Average Distance to Preferred Centre
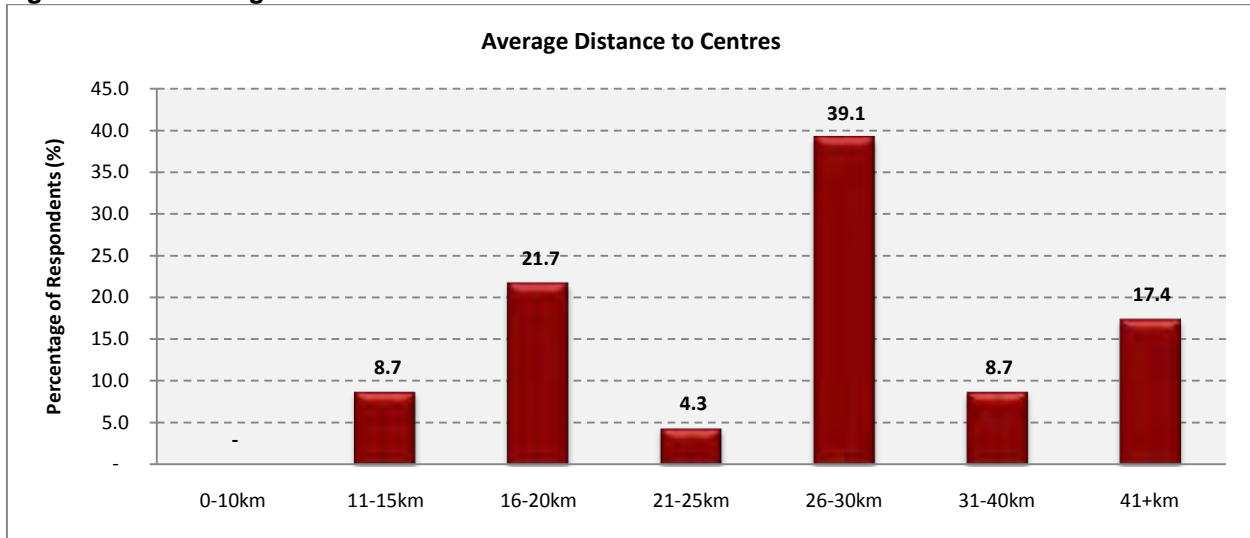
Source: Demacon Household Surveys, 2009

Figure 10.14: Percentage of Shopping Conducted at Local Traders Before Thula Plaza
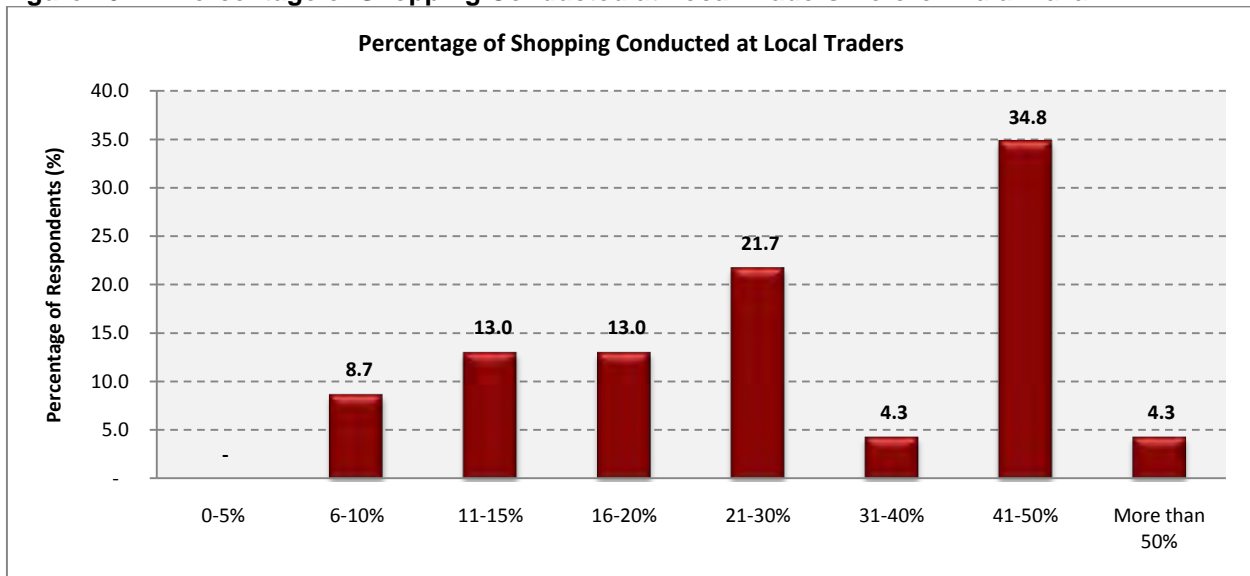
Source: Demacon Household Surveys, 2009

Findings: (Figures 10.11 to 10.15 and Table 10.5)

✓ Before Thula Plaza was developed the majority of respondents conducted their shopping in Bushbuck Ridge (31.0%), Hazyview (23.9%), Nelspruit (23.9%), Acornhoek (20.4%) and other areas (0.9%).

✓ Before Thula Plaza was developed approximately 50.8% (weighted average[85]) of shopping was conducted outside of the local area.

✓ In terms of the preferred retail centres the following dominant centres featured: Bushbuck Ridge Centre, Twin City (Bushbuck Ridge), Acornhoek Plaza, Twin City Blue Haze and Nelspruit Centres.

✓ The dominant retail areas include Bushbuck Ridge, Acornhoek, Hazyview and Nelspruit.

✓ Before the development of Thula Plaza the average distance to supported retail centres was mostly between 26 and 30km (39.1%), followed by 26.1% of respondents indicating

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[85] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

distances of more than 30km and 24.4% indicated distances of less than R26km. The average weighted distance amounted to **28.0km[86].**

✓ Respondents conducted between 41% and 50% (34.8%) of their shopping at local traders, 26% of respondents conducted between 20% and 40% of their shopping at local traders, 26% indicated that they conducted between 11% and 20% of shopping at local traders, 8.7% conducted between 5% and 10% of shopping at local traders. The average weighted percentage conducted at local traders amounted to **30.9%.**

✓ The majority of households spent between R300 and R1 000 a month at formal retail centres (88.51%), 7.7% of households spent less than R300 a month and 3.8% of households spent more than R1 000 a month. Average monthly household expenditure at formal retail centres amounted to **R534.2.**

✓ The majority of households spent between R151 and R200 a month at local traders (50.0%), 33.3% spent between R51 and R100 a month and 16.7% spent between R201 and R300 a month at local traders. The average monthly household expenditure at local traders amounted to **R154.67.**

Figure 10.15: Monthly Household Expenditure at Retail Centres and Local Traders
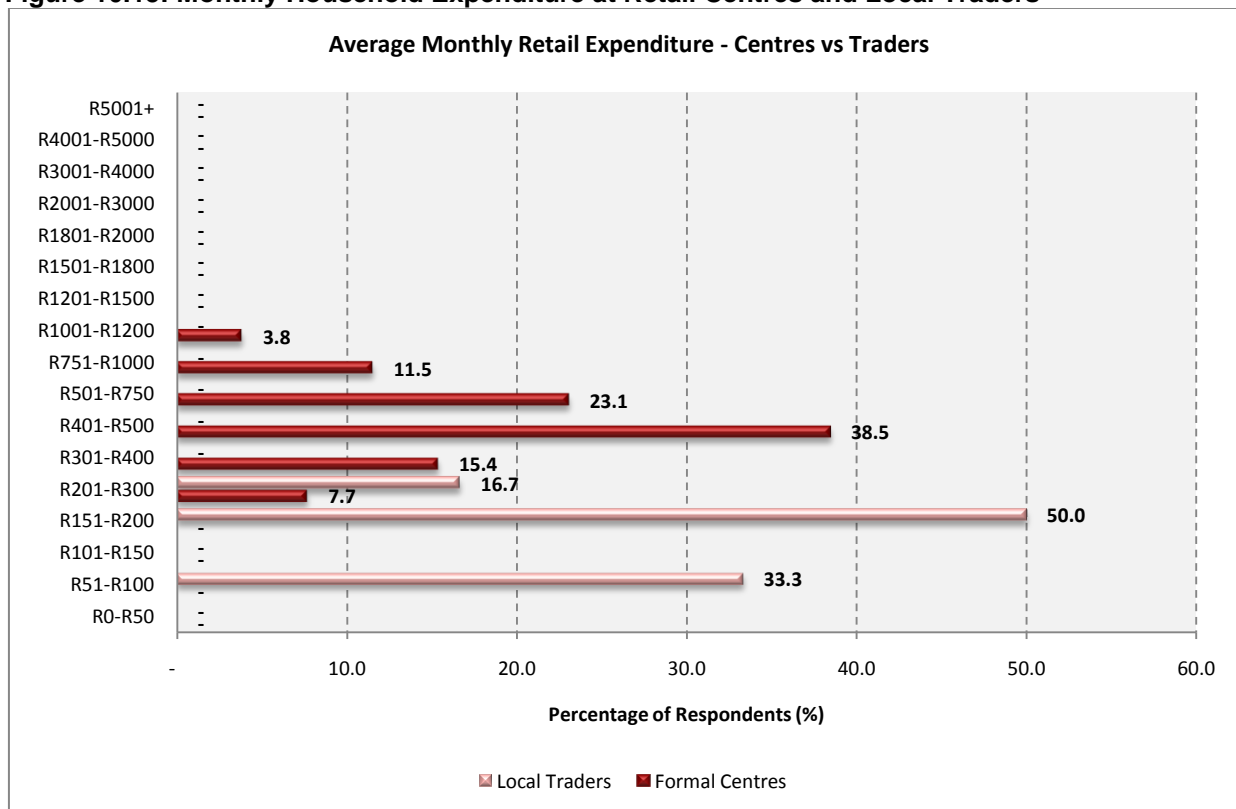
Source: Demacon Household Surveys, 2009

Findings: (Figures 10.16 to 10.17)

✓ The majority of households indicated that they spent between R21 and R30 for taxi/bus fares to the formal retail centres – 29.0%. This is followed by a large segment indicating transport fares of between R11 and R20 – 48.4%, and less than R10 – 16.1%. A small segment indicated transport fares exceeding R30 – 6.4%. The average weighted transport fare to formal retail centres amounted to **R19.5.**

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[86] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

✓ Similar trends were observed with reference to travel fares to local traders. The average weighted transport fare to local traders amounted to **R16.0.**

✓ In terms of the average travel time the majority of respondents indicated a travel time of between 21 and 30 minutes to formal retail centres – 44.8%, a slightly smaller segment indicated travel times exceeding 30 minutes (37.9%) and a smaller segment indicated travel times between 11 and 20 minutes (17.2%). The weighted average travel time to formal retail centres amounted to **32.7 minutes**[87].

✓ The majority of respondents indicated that they travel for between 21 and 30 minutes to local traders (57.1%), this is followed by 28.6% of respondents indicating travel times of 11 to 15 minutes and 14.3% indicating travel times between 51 and 60 minutes. The weighted average travel time to local traders amounted to **26.2 minutes**.

Figure 10.16: Average Bus/Taxi Fare
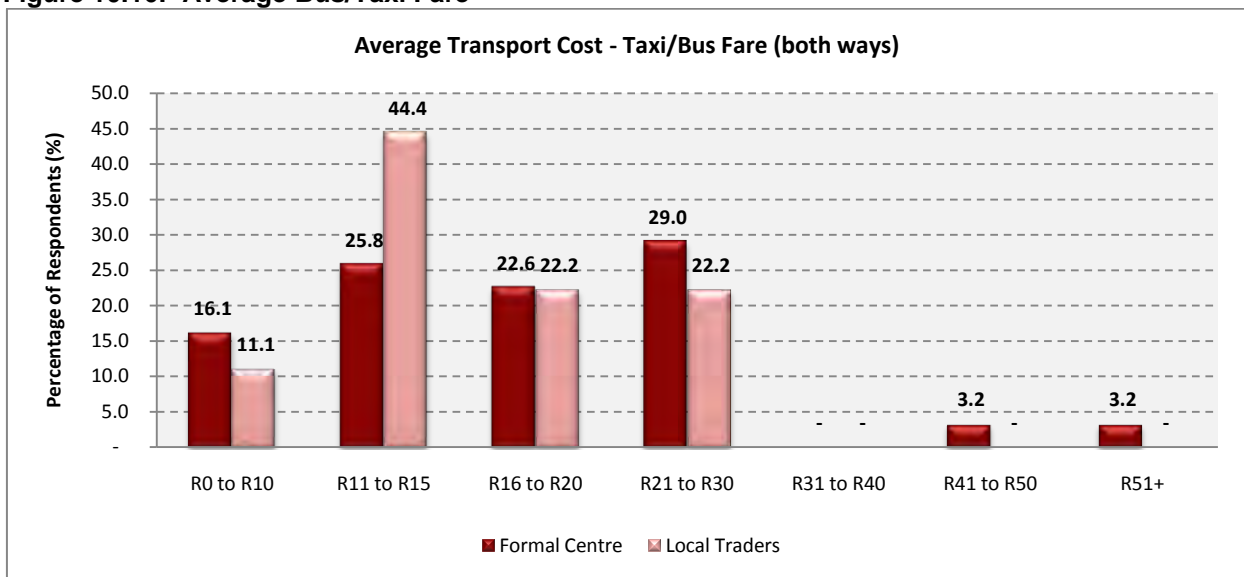
Source: Demacon Household Surveys, 2009

Figure 10.17: Average Travel Time
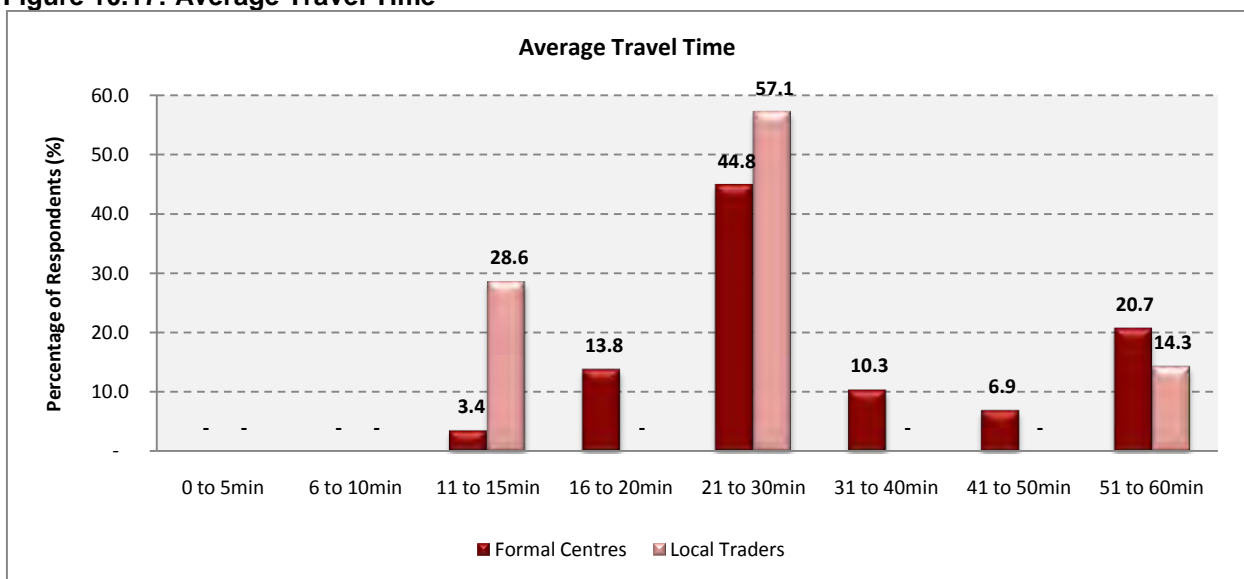
Source: Demacon Household Surveys, 2009

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[87] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

10.4.3 CURRENT CONSUMER BEHAVIOUR

Subsequent paragraphs examine current consumer behaviour trends after the development of Thula Plaza. They focus on the impact that the development of the mall had on their consumer behaviour, retail destination, percentage of shopping now conducted outside the local area, impact on retail expenditure, monthly retail expenditure, monthly retail expenditure at Thula Plaza purchased at the mall, indication of commodities not available at the mall, changes in support for other areas, impact of the development of the mall on support towards local traders, average transport cost and travelling time, impact of transport costs on retail trips outside the area.

Figure 10.18: Impact of Thula Plaza on Consumer Behaviour
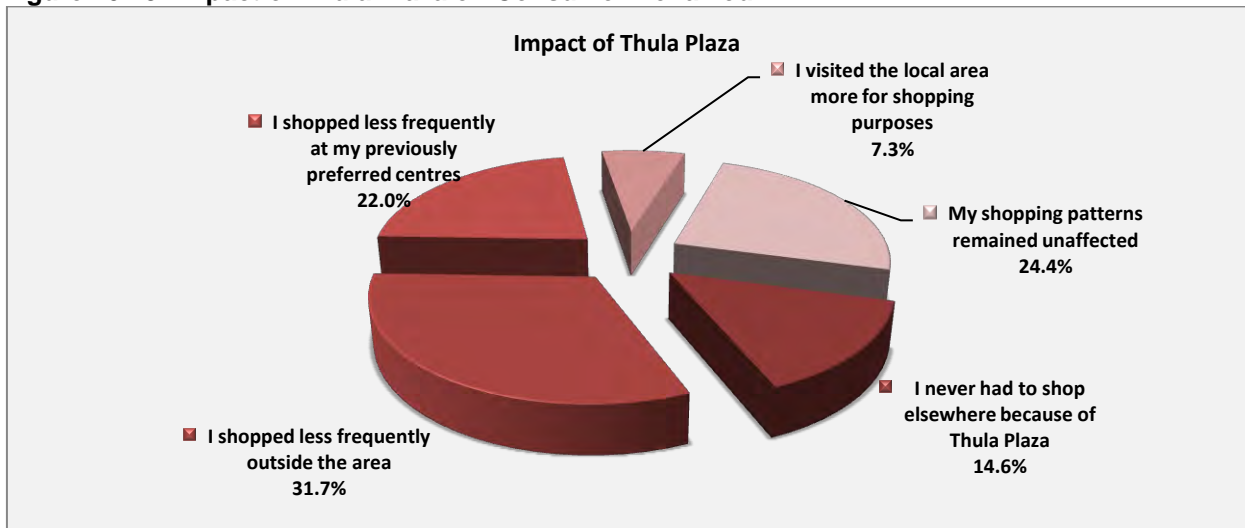
Source: Demacon Household Surveys, 2009

Figure 10.19: Retail Location after Thula Plaza
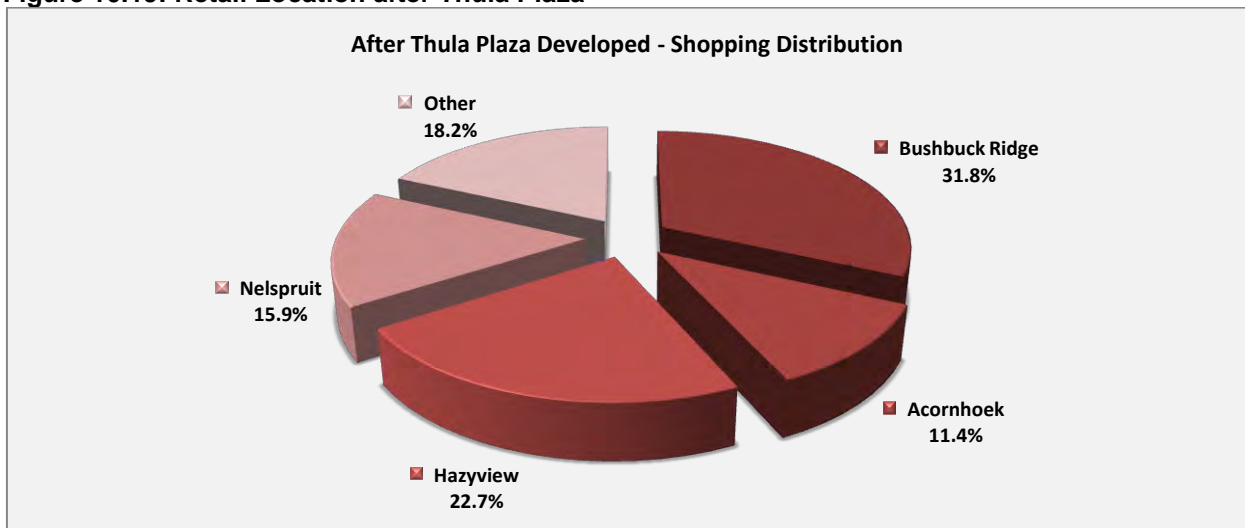
Source: Demacon Household Surveys, 2009

Findings: (Figures 10.18 to 10.21)

✓ The development of Thula Plaza had a positive impact on consumer behaviour – 31.7% indicated that they now shop less frequently outside of the area, 22.0% indicated that they shop less frequently at their previously preferred retail centres, 14.6% indicated that they never have to shop elsewhere and 7.3% indicated that they visit the area more for shopping purposes. A segment of 24.4% of respondents indicated that their shopping patterns have

remained unaffected. This reflects moderately high levels of consumer elasticity in the market.

✓ The development of Thula Plaza also had a positive impact on respondents' shopping locations – 31.8% of shopping is done in Bushbuck Ridge, 22.7% in Hazyview, 18.2% in other areas, 15.9% in Nelspruit and 11.4% in Acornhoek.

✓ After the development of Thula Plaza, the percentage of shopping conducted outside of the local area declined to a weighted average of **35.7%[88].**

✓ The development of Thula Plaza had a slight impact on local retail expenditure (57.1%).

✓ A relatively large segment of respondents, however, indicated that the development of Thula Plaza had no impact on their local retail expenditure, whereas a small percentage of respondents (4.8%) indicated that the development of the mall had a drastic impact on their local retail expenditure.

Figure 10.20: After Thula Plaza – Percentage of Shopping Outside Local Area
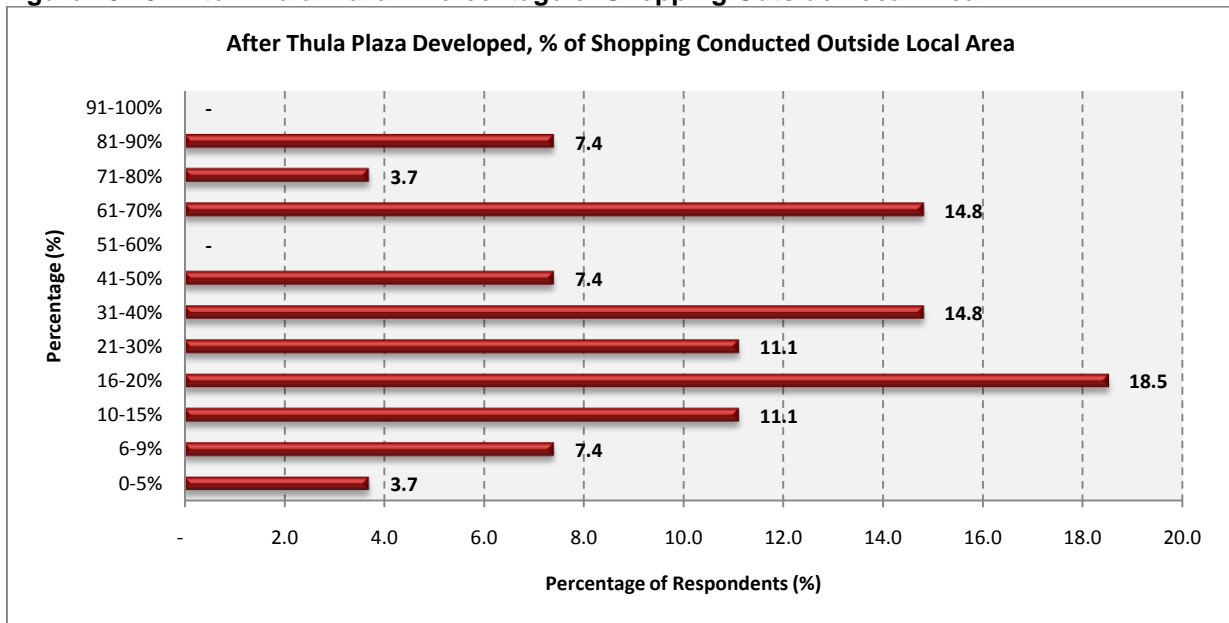
Source: Demacon Household Surveys, 2009

Figure 10.21: Impact of Thula Plaza on Local Retail Expenditure
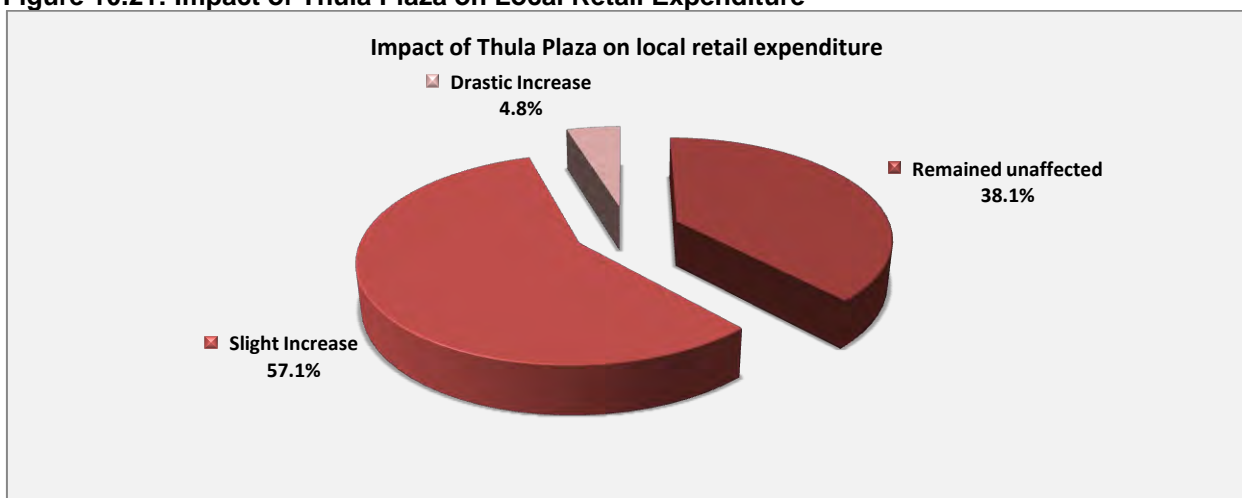
Source: Demacon Household Surveys, 2009

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[88] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Figure 10.22: Average Monthly Household Retail Expenditure

Monthly Household Retail Expenditure
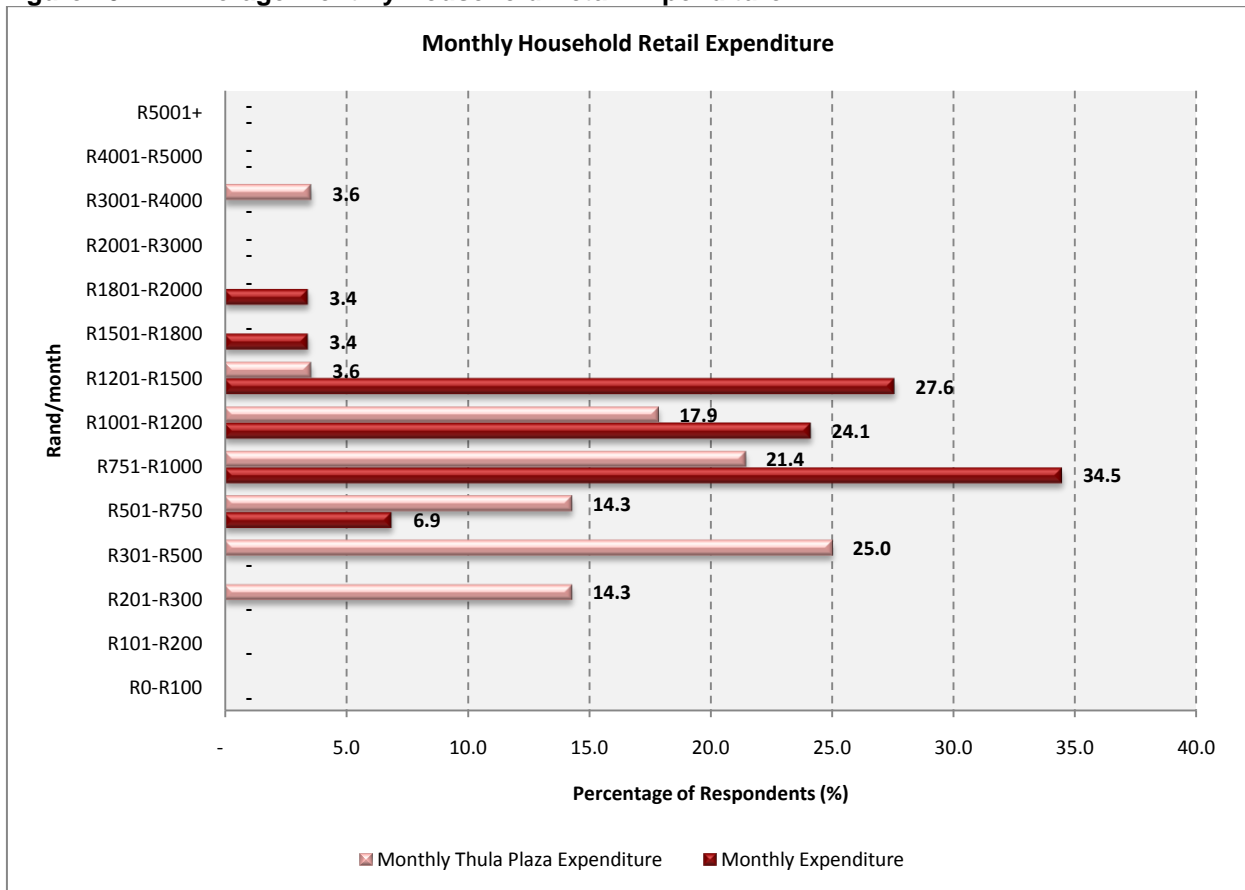
Source: Demacon Household Surveys, 2009

Figure 10.23: Type of Commodities Predominantly Purchased at Thula Plaza

Types of Commodities Predominantly Puchased at Thula Plaza
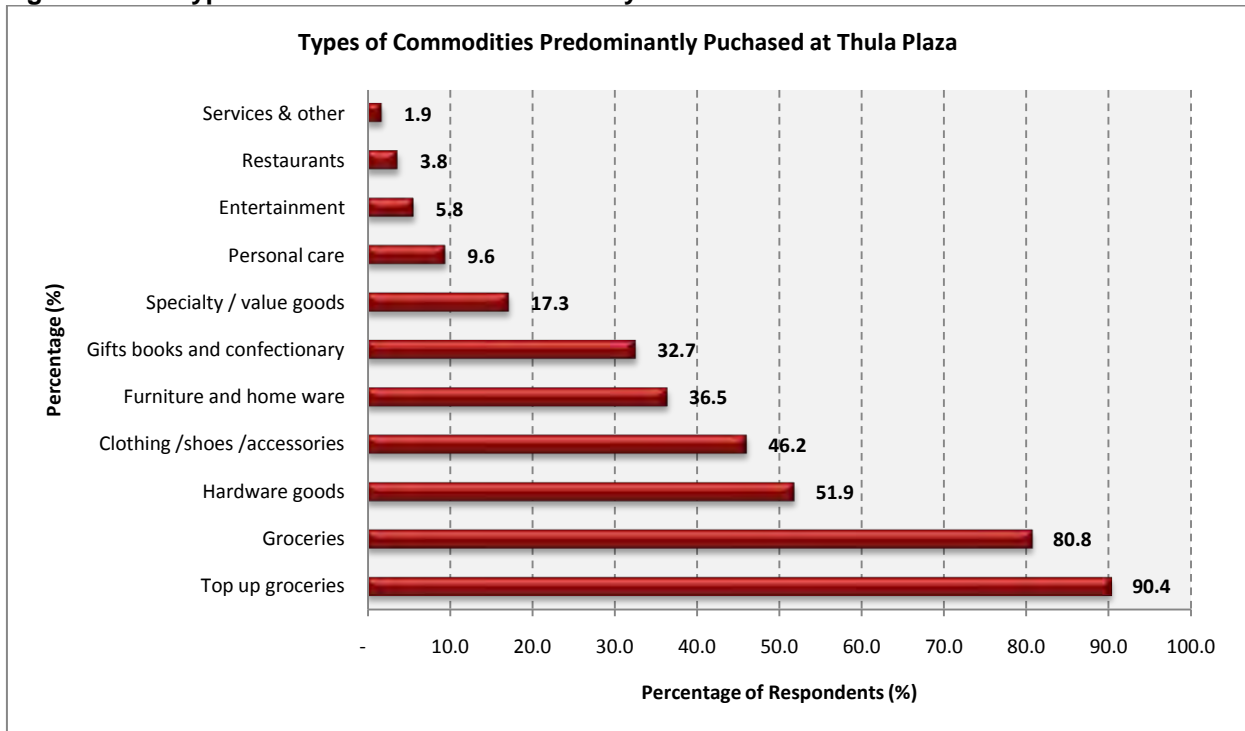
Source: Demacon Household Surveys, 2009

Figure 10.24: Types of Commodities not Available at Thula Plaza

Types of Commodities Not Available at Thula Plaza
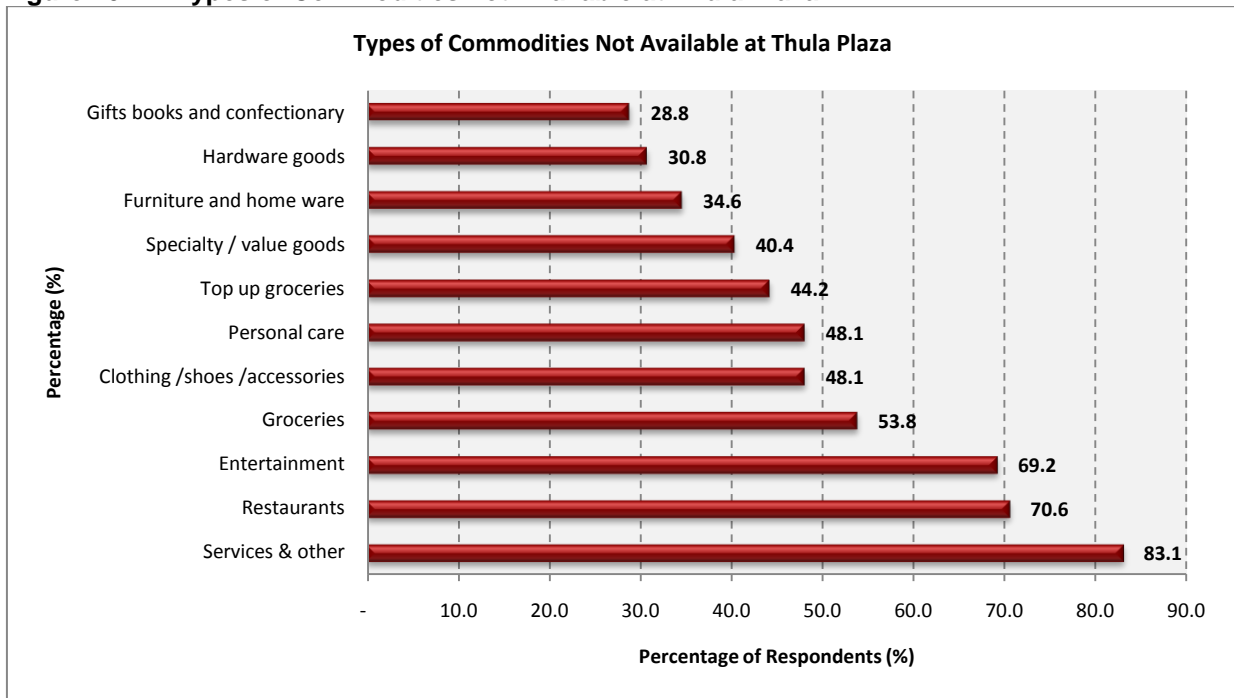
Source: Demacon Household Surveys, 2009

Figure 10.25: Preferred Retail Centres After Thula Plaza Development

Preferred Retail Centres Supported Most

Source: Demacon Household Surveys, 2009

Findings: (Figures 10.22 to 10.25)

✓ The largest segment of households indicated that they spend between R751 and R1 500 on monthly shopping – 86.2%, this is followed by 6.9% indicating amounts below R750 and 6.8% indicating amounts above R1 500 a month. The average weighted amount spent on shopping is **R1 103.95[89]**.

✓ The majority of respondents also indicated that they spend between R300 and R1 200 per month at Thula Plaza – 78.6%, supported by 14.3% indicating expenditures between R201

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[89] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

and R300 a month and 7.2% indicating expenditure exceeding R1 200 per month. The average weighted monthly amount spent at Thula Plaza is **R782.64.**

✓ In terms of the types of commodities predominantly purchased at Thula Plaza the following categories prevail: top-up and monthly groceries, hardware goods, clothing, shoes and accessories.
✓ In terms of the type of commodities not available at Thula Plaza the following categories prevail: services, restaurants, entertainment, groceries, clothing and personal care.
✓ Respondents also indicated their preferred retail centres after the development of Thula Plaza:Twin City Bushbuck Ridge, Twin City Blue Haze, Thula Plaza, Acornhoek Plaza, Nelspruit Centres, Bushbuck Ridge Shopping Centre, Hoedspruit Complex and Simunye Centre.

Figure 10.26: Since Development of Thula Plaza - Support for Previously Preferred Retail Centres
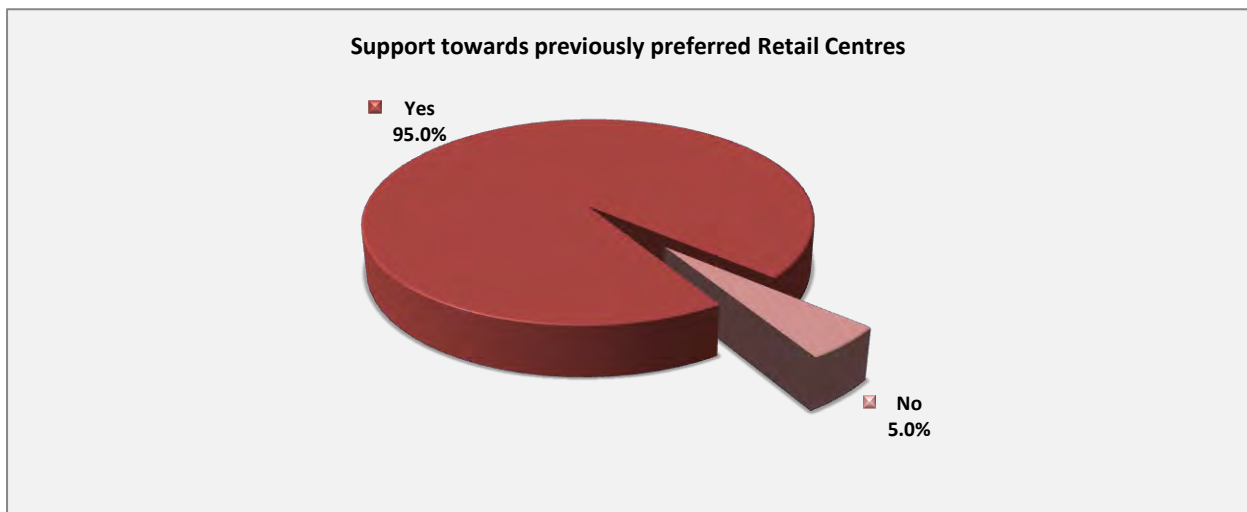
Source: Demacon Household Surveys, 2009

Figure 10.27: Reasons for Support Towards These Centres
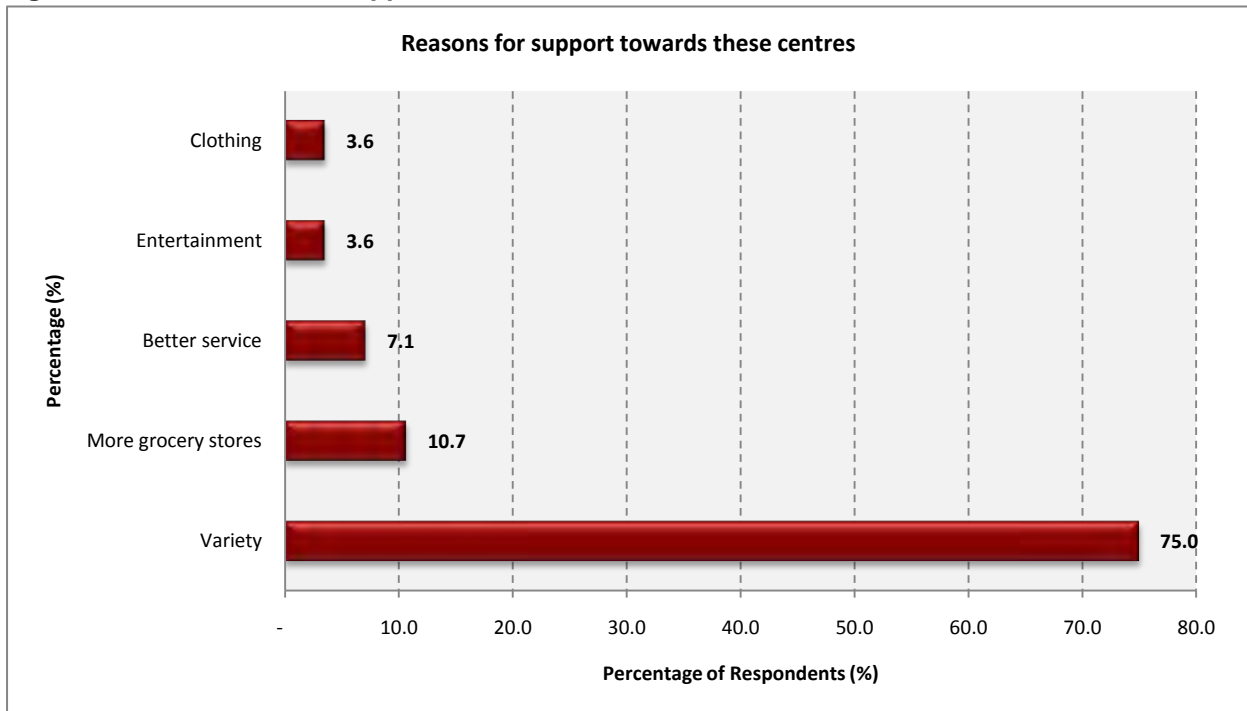
Source: Demacon Household Surveys, 2009

Figure 10.28: After Thula Plaza What Percentage of Shopping is Conducted at Local Traders
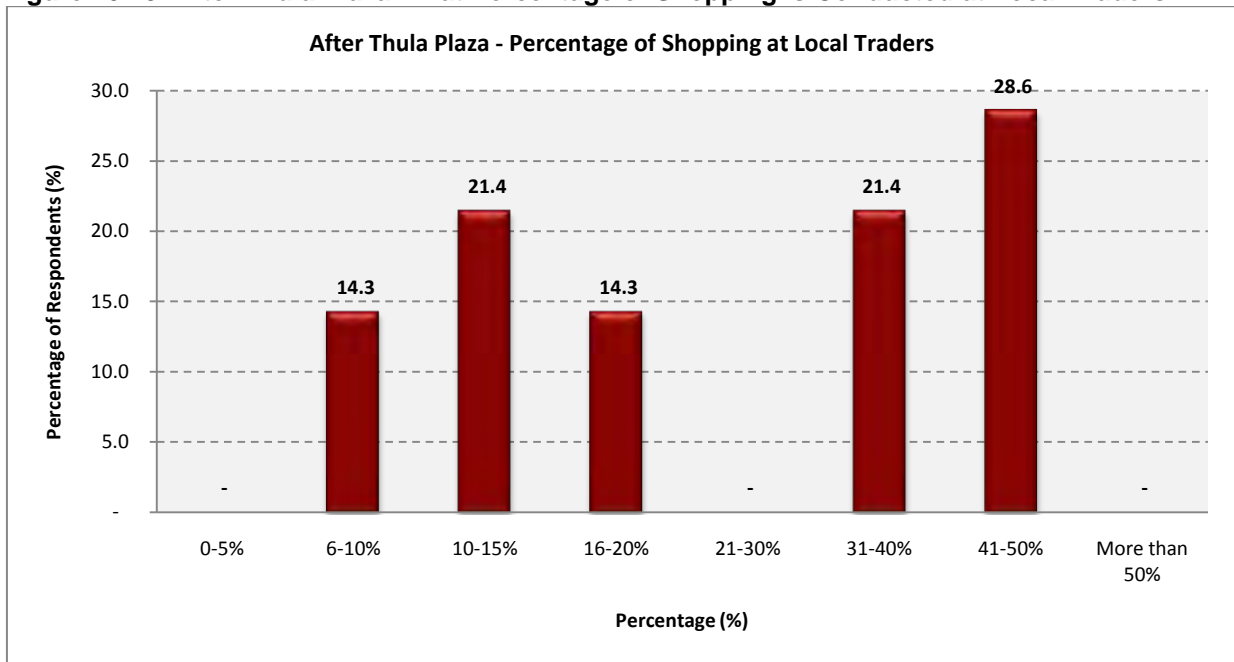
Source: Demacon Household Surveys, 2009

Figure 10.29: Impact of Thula Plaza on Local Trader Support
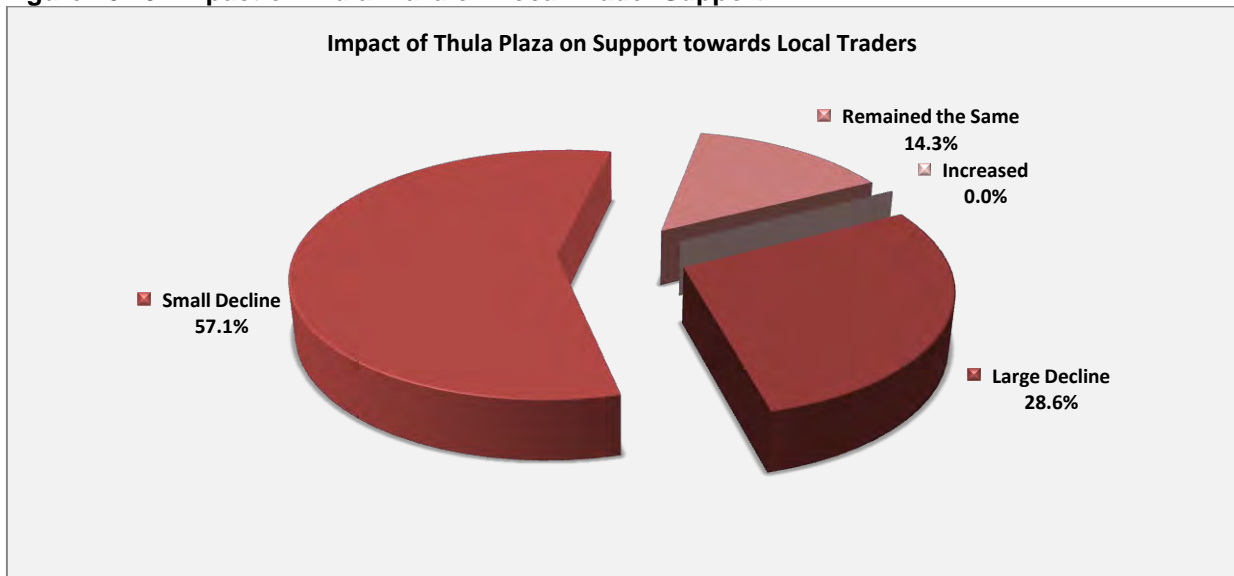
Source: Demacon Household Surveys, 2009

Findings: (Figures 10.26 to 10.30)

✓ 95.0% of respondents indicated that they still support their previously preferred retail centres after the development of Thula Plaza.

✓ The dominant reasons for respondents' continued support for previously preferred retail centres include greater variety, more grocery stores, better service, entertainment and clothing outlets.

✓ Since the development Thula Plaza, the majority of respondents conduct between 40% and 50% of shopping at local traders – 28.6%, this is followed by 21.4% indicating that they conduct between 30% and 40% of shopping at local traders, 14.3% conduct between 16% and 20% of shopping at local traders, 21.4% between 10% and 15% and 14.3% conduct

less than 15% of shopping at local traders. The weighted average[90] support for local traders amount to **27.0%.**

✓ Overall, the development of Thula Plaza has resulted in a slight decline in support for local traders **(57.1%),** followed by **28.6%** of respondents indicating a large decline, while 14.3% indicated that support remained the same.

✓ In terms of changes to the local trader environment the following were perceived:
- • 34.8% - everything remained the same;
- • 25.4% indicated a decline in informal traders;
- • 13.5% indicated a closure of local businesses;
- • 5.8% indicated a movement of local businesses to the mall;
- • 1.9% indicated a movement of local businesses closer to the mall;
- • 3.8% indicated a movement of informal traders to locations closer to the mall.

Figure 10.30: Perceived General Trends Pertaining to Local Traders After Development of Thula Plaza
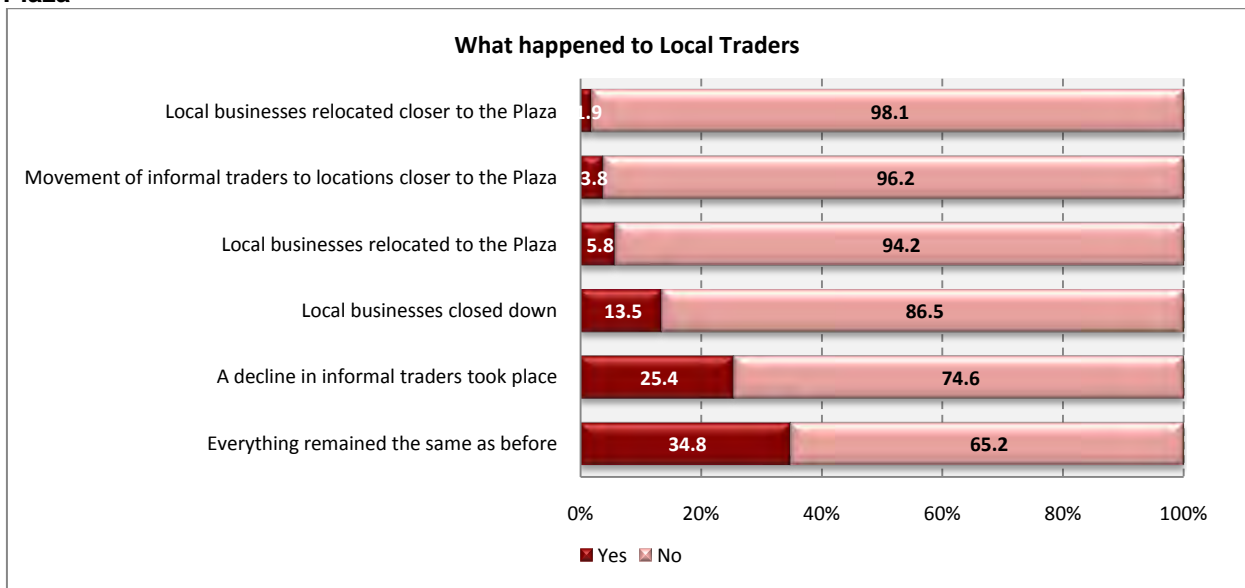
Source: Demacon Household Surveys, 2009

Figure 10.31: Average Taxi/Bus Fares
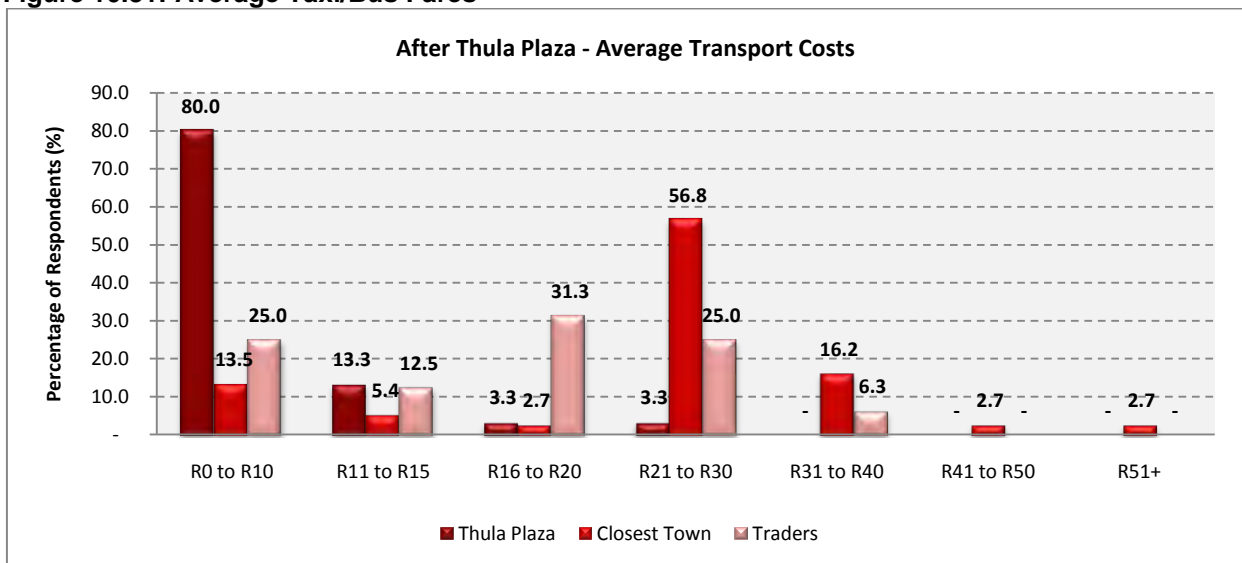
Source: Demacon Household Surveys, 2009

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[90] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Figure 10.32: To What Extent Do Higher Transport Fares Deter You From Buying Outside the Local Area?

Transport fares deterrent to buying outside?

- Slight Deterrent 81.8%
- Significant Impact 0.0%
- No Deterrent 18.2%
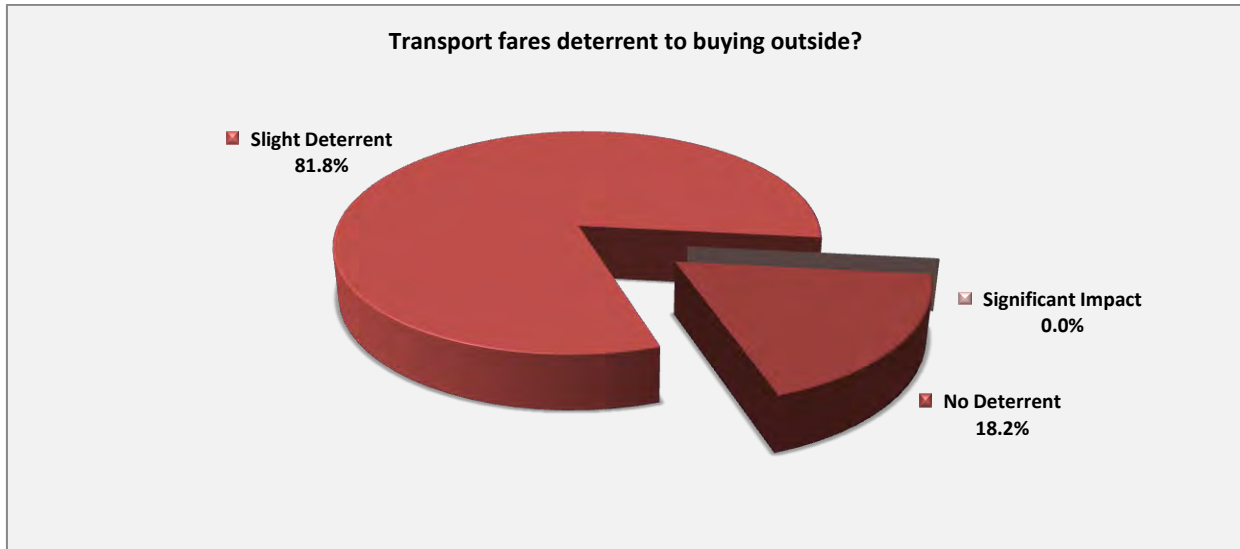
Source: Demacon Household Surveys, 2009

Figure 10.33: Transport Fares That Would Support Shopping Outside the Area

Transport Costs that will still support shopping outside the local area

Category	Percentage
R50 and more (total both ways)	-
R41 to R50 (total both ways)	-
R31-R40 (total both ways)	-
R21-R30 (total both ways)	-
R11-R20 (total both ways)	6.7
R6 to R10 (total both ways)	60.0
R5 or less (total both ways)	33.3

Percentage of Respondents (%)
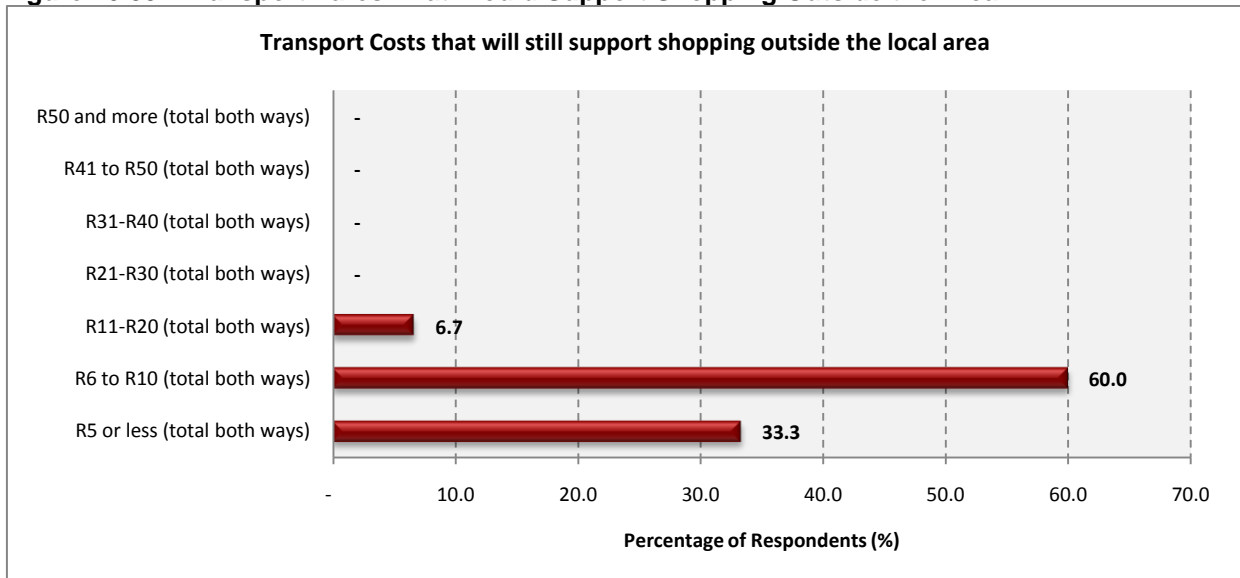
Source: Demacon Household Surveys, 2009

Findings: (Figures 10.31 to 10.33)

✓ In terms of the travel fares to Thula Plaza, the majority of respondents pay less than R10 for a round trip – 80.0%, followed by 13.3% of respondents indicating that they pay between R11 and R15 for a round trip. The average weighted travel fare for a round trip to Thula Plaza is **R7.20[91].**

It is important to note that the development of Thula Plaza had a positive impact on the cost of transport to formal retail centres. Before Thula Plaza 58.1% of respondents paid more than R15 taxi / bus fare to reach a formal retail centre. After the development of Thula Plaza this percentage declined to a mere 6.7%.

✓ In terms of travel fares to the closest town; the majority of respondents indicated that they pay between R21 and R30 for a round trip – 56.8%, followed by 21.6% indicating that they pay more than R30, while 21.6% indicated that they spend less than R20 for a round trip. The average weighted fares for a round trip to the closest town amount to **R25.40.**

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[91] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

✓ In terms of travel fares to local traders; the majority of respondents indicated that they pay between R16 and R30 for a round trip – 56.3%, followed by 37.5% indicating that they pay less than R15 and 6.3% indicating costs exceeding R30. The average weighted travel fares to local traders amounts to **R17.10.**

✓ The majority of respondents indicated that transport fares represent a slight deterrent to their retail expenditure outside of the area – **81.8%.** A small segment of 18.2% indicated that they represent no deterrent at all and none indicated that they represent a significant deterrent to their retail expenditure outside of the local area.

✓ The majority of respondents indicated that for transport fares of less than R10 for a round trip they would support shopping outside the area – 93.3%. This is followed by 6.7% of respondents indicating an amount between R11 and R20.

Overall, it is evident that transport fares in themselves do not represent a dominant determining factor as to whether people will conduct retail expenditure outside of the local area. Increased transport costs of 10% will not necessarily result in a 10% increase in local retail expenditure. In general consumers are willing to pay higher transport fares to reach larger centres such as a CBD with a wider product offering. Say, for example, they are willing to pay R10 to reach a larger retail centre (double the transport fares to a closer smaller retail centre), however, they will reconsider this retail location preference if transport fares escalates to R30 for a round trip. Overall, it is therefore evident that transport fares do not represent the dominant retail location factor, but that local product offering and critical mass are more important.

Figure 10.34: Average Travel Time
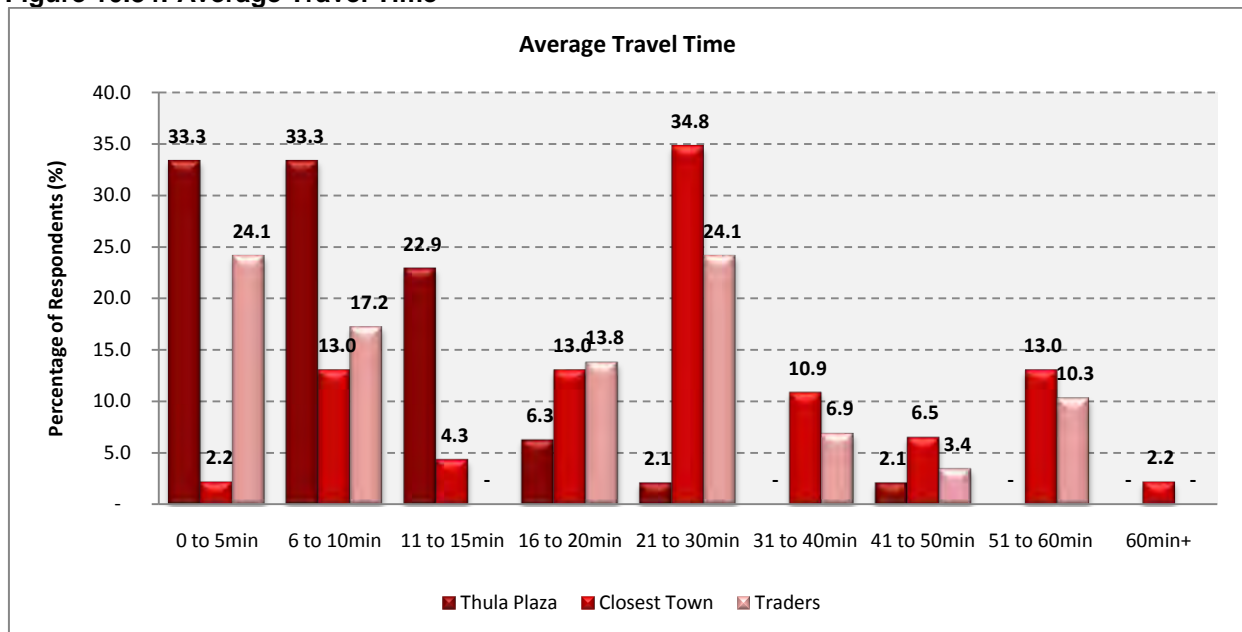
Source: Demacon Household Surveys, 2009

Findings: (Figure 10.34)

✓ The average travel time to Thula Plaza – the largest segment of respondents indicated travel times of fewer than 10 minutes – 66.6%, followed by 22.9% of respondents indicating travel times between 11 and 15 minutes and 4.27% indicating travel times between 21 and 50 minutes. The average weighted travel time to Thula Plaza amounts to **9.1 minutes**[92].
It is important to note that the development of Thula Plaza had a positive impact on travel times to formal retail centres. Before Thula Plaza only 3.4% of respondents travelled for

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[92] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

fewer than 15 minutes to a formal retail centre. After the development of Thula Plaza this percentage increased to a total of 89.5%.

- ✓ The majority of respondents indicated average travel times of 21 to 30 minutes to the closest town – 34.8%, this is followed by 32.6% indicating travel times exceeding 30 minutes and 32.6% indicating travel times shorter than 20 minutes. The average weighted travel time to reach the closest town amount to **28.3 minutes.**

- ✓ The majority of respondents indicated average travel times shorter than 10 minutes to reach local traders – 41.3%, this is followed by 58.7% indicating travel times exceeding 10 minutes. The average weighted travel time amounts to **21.4 minutes**.

10.4.4 FREQUENCY OF VISITS AND DWELL TIME

Subsequent paragraphs provide information on the changes in visits to Thula Plaza over the past year, the main purpose of visits to Thula Plaza, the time preferred to conduct shopping and entertainment and average dwell time on a typical visit.

Figure 10.35: Changes to Visits Over Past Year
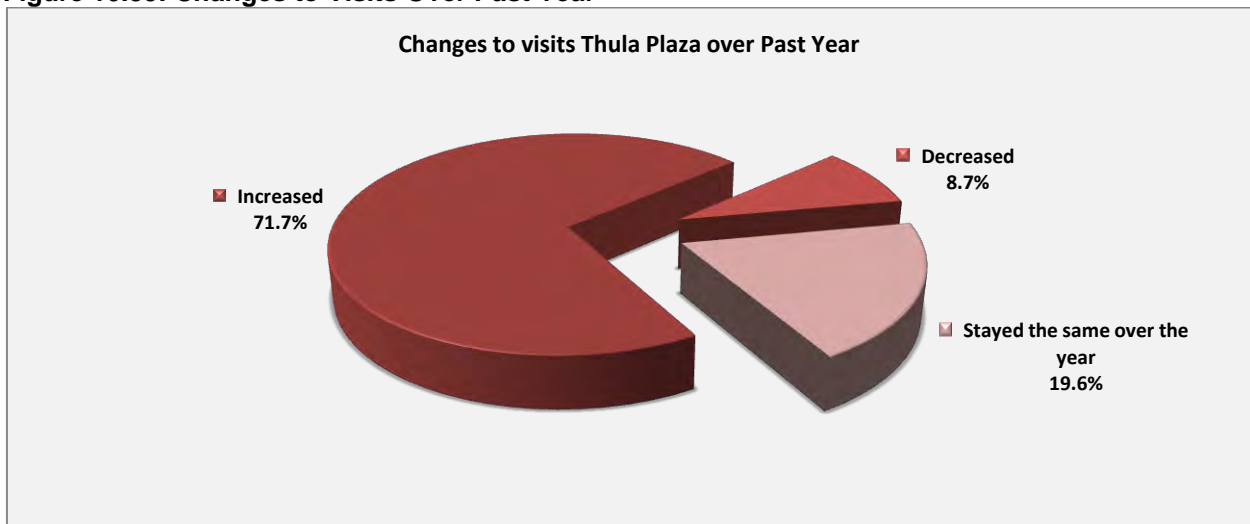
Source: Demacon Household Surveys, 2009

Figure 10.36: Main Purpose for Visiting Thula Plaza
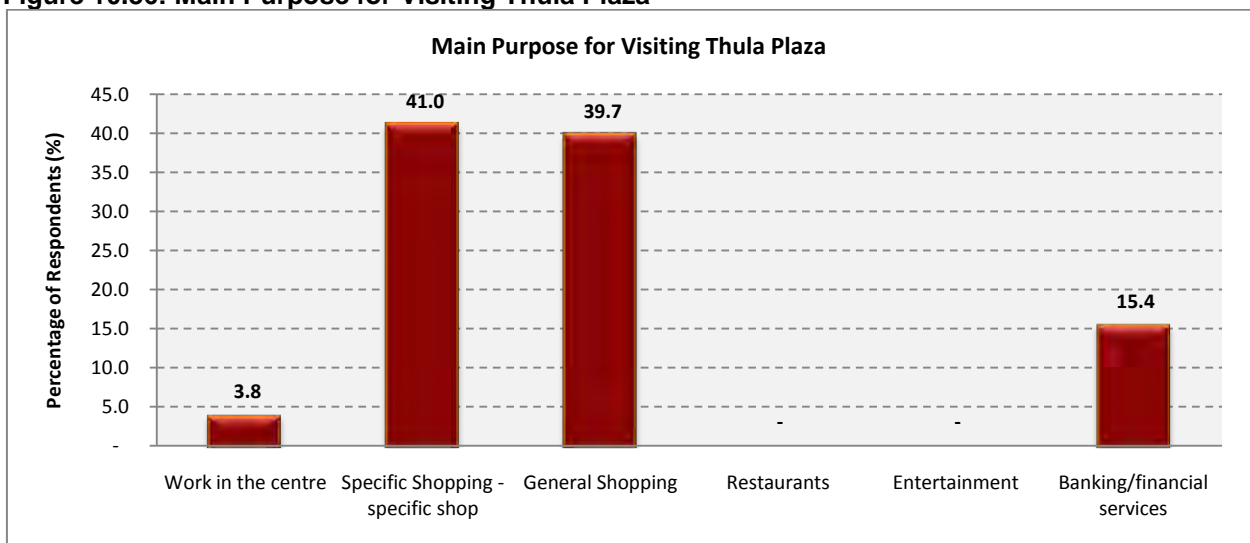
Source: Demacon Household Surveys, 2009

Findings: (Figures 10.35 to 10.38)

✓ The majority of respondents indicated that their visits to Thula Plaza have increased over the past year – 71.1%, 19.6% indicated that their visits remained the same and a small segment of 8.7% indicated that they declined.

✓ The main purpose for visiting Thula Plaza is for visits to specific shops – 41.0%, followed by general shopping (39.7%), banking and financial services (15.4%) and a small percentage work in the centre (3.8%).

✓ The preferred time of the day to shop at the mall is over during the morning (34.8%) and over lunch time (32.6%), a segment also prefers to shop in the afternoon and evenings (32.6%).

✓ The preferred time of the day to visit the centre for entertainment is over lunch time (62.5%), in the morning (25.0%) and afternoon (12.5%) .

✓ The average dwell time is mainly two hours – 46.3%, followed by 34.1% indicating dwell times of one hour, 9.8% indicated average dwell times of 1.5 hours, 7.3% half an hour and 2.4% more than two hours.

Figure 10.37: Preferred Time of the Day
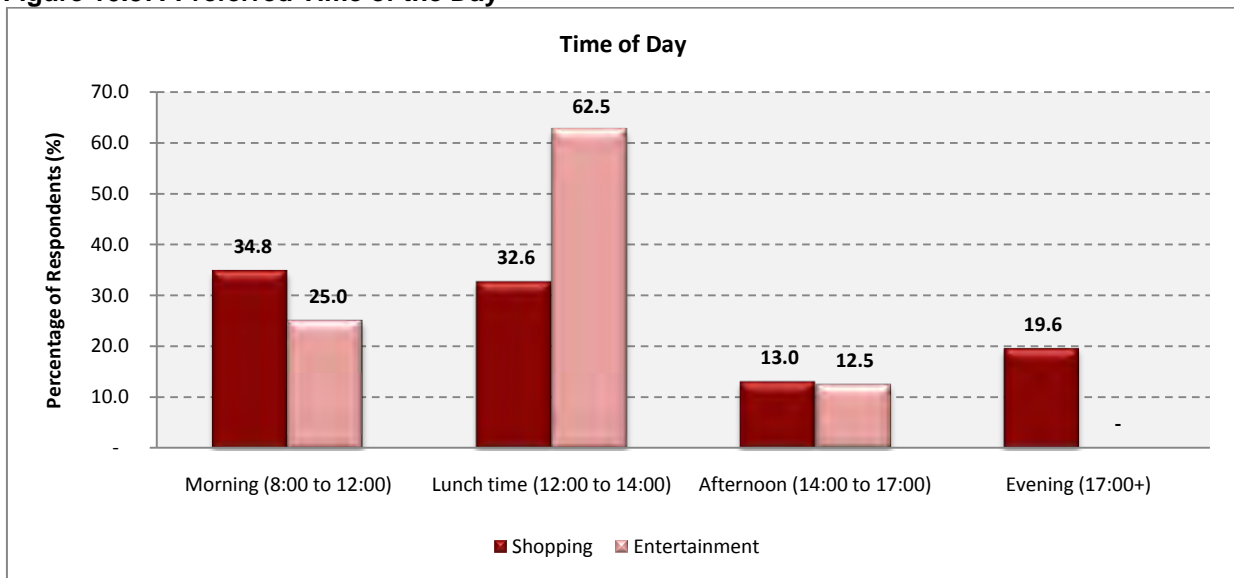
Source: Demacon Household Surveys, 2009

Figure 10.38: Average Dwell Time on Typical Visit
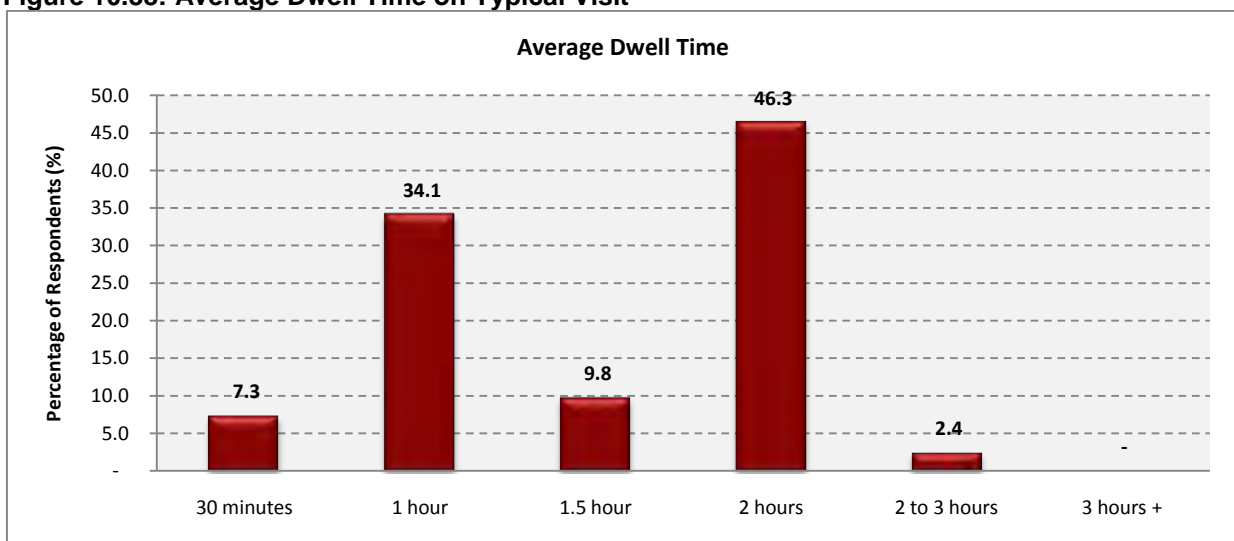
Source: Demacon Household Surveys, 2009

10.4.5 SATISFACTION WITH THULA PLAZA

Subsequent paragraphs rate the overall level of satisfaction in terms of a list of centre aspects, supported by an indication of aspects that should be addressed to attract more consumers. They also look at provision made for informal trade.

Figure 10.39: Overall Level of Satisfaction with Thula Plaza

Source: Demacon Household Surveys, 2009

The majority of respondents indicated that they regard Thula Plaza as an acceptable retail centre (49.0%), supported by 38.7% of respondents indicating that they are satisfied to more than satisfied with the mall, while 12.2% indicated that they unsatisfied with the mall.

Table 10.6: Rating of Thula Plaza Elements

	Rating					Total
	1	2	3	4	5	
TENANT MIX						
Overall image of the centre	2.0	27.5	25.5	**33.3**	11.8	100.0
Variety of stores	16.3	**36.7**	28.6	18.4	-	100.0
Presence of local stores/tenants	11.4	**29.5**	**29.5**	27.3	2.3	100.0
Presence of national tenants	8.5	29.8	**31.9**	29.8	-	100.0
Location of stores in relation to each other	8.9	**33.3**	26.7	31.1	-	100.0
Clothing store selection and availability	11.4	31.8	**36.4**	20.5	-	100.0
Convenience services selection and availability	6.3	34.4	**37.5**	18.8	3.1	100.0
Books / cards / stationery shop selection and availability	12.5	25.0	**46.9**	12.5	3.1	100.0
Entertainment and restaurant selection and availability	**33.3**	31.0	28.6	7.1	-	100.0
Health and beauty selection and availability	16.7	30.6	**36.1**	13.9	2.8	100.0
Home furnishing and furniture selection and availability	2.9	**41.2**	32.4	20.6	2.9	100.0
Bank / ATM location and selection	7.5	7.5	25.0	**42.5**	17.5	100.0
Availability and selection of speciality shops	-	22.6	**45.2**	22.6	9.7	100.0
PARKING AND ACCESS						
Convenience of the centre's location within the area	3.4	3.4	**37.9**	31.0	24.1	100.0
Transport to the centre	19.0	**33.3**	14.3	23.8	9.5	100.0
Link to public transport – taxi/bus ranks	21.1	21.1	**31.6**	15.8	10.5	100.0
Accessibility of parking	2.6	21.1	**36.8**	26.3	13.2	100.0
Adequacy of parking	-	28.6	**40.0**	17.1	14.3	100.0
Ease of access to the entrance of the centre from parking	2.9	11.8	**52.9**	17.6	14.7	100.0
FACILITIES						
Adequacy / quality of bathroom facilities	6.8	6.8	22.7	**40.9**	22.7	100.0
Adequacy of disability facilities	8.1	2.7	27.0	**40.5**	21.6	100.0
Availability of information kiosks and staff	-	16.7	25.0	**36.1**	22.2	100.0
Sufficiency of lifts / escalators	3.0	12.1	27.3	**36.4**	21.2	100.0
Availability of mall layout plans and centre signage	3.0	-	24.2	**48.5**	24.2	100.0
CLEANING						
The overall cleanliness of the centre	3.9	5.9	13.7	**39.2**	37.3	100.0
MAINTENANCE						

	Rating					Total
	1	**2**	**3**	**4**	**5**	
The overall maintenance of the centre	2.2	-	30.4	32.6	**34.8**	100.0
SECURITY						
Safety in the shopping centre and parking area	-	4.1	14.3	**51.0**	30.6	100.0
LANDSCAPING AND AESTHETICS						
Overall design and features of the centre	4.8	2.4	16.7	**38.1**	**38.1**	100.0

Source: Demacon Household Surveys, 2009

Findings: (Table 10.6)

✓ It is evident that the majority of tenants are generally satisfied with the tenant mix of the centre, rating it as acceptable. However, aspects that could be improved include the variety of stores, the presence of local stores, the location of stores in relation to one another, entertainment and restaurants and home furnishes and furnishing selection and availability.

✓ The majority of respondents also rated the parking facilities as acceptable – although transport to the centre could be addressed.

✓ In terms of public facilities, the majority of respondents rated these as good.

✓ The overall cleanliness, maintenance, landscaping and aesthetics of the mall are rated as good to excellent by the majority of respondents.

Figure 10.40: Perceived Aspects That Should be Addressed to Attract More Consumers
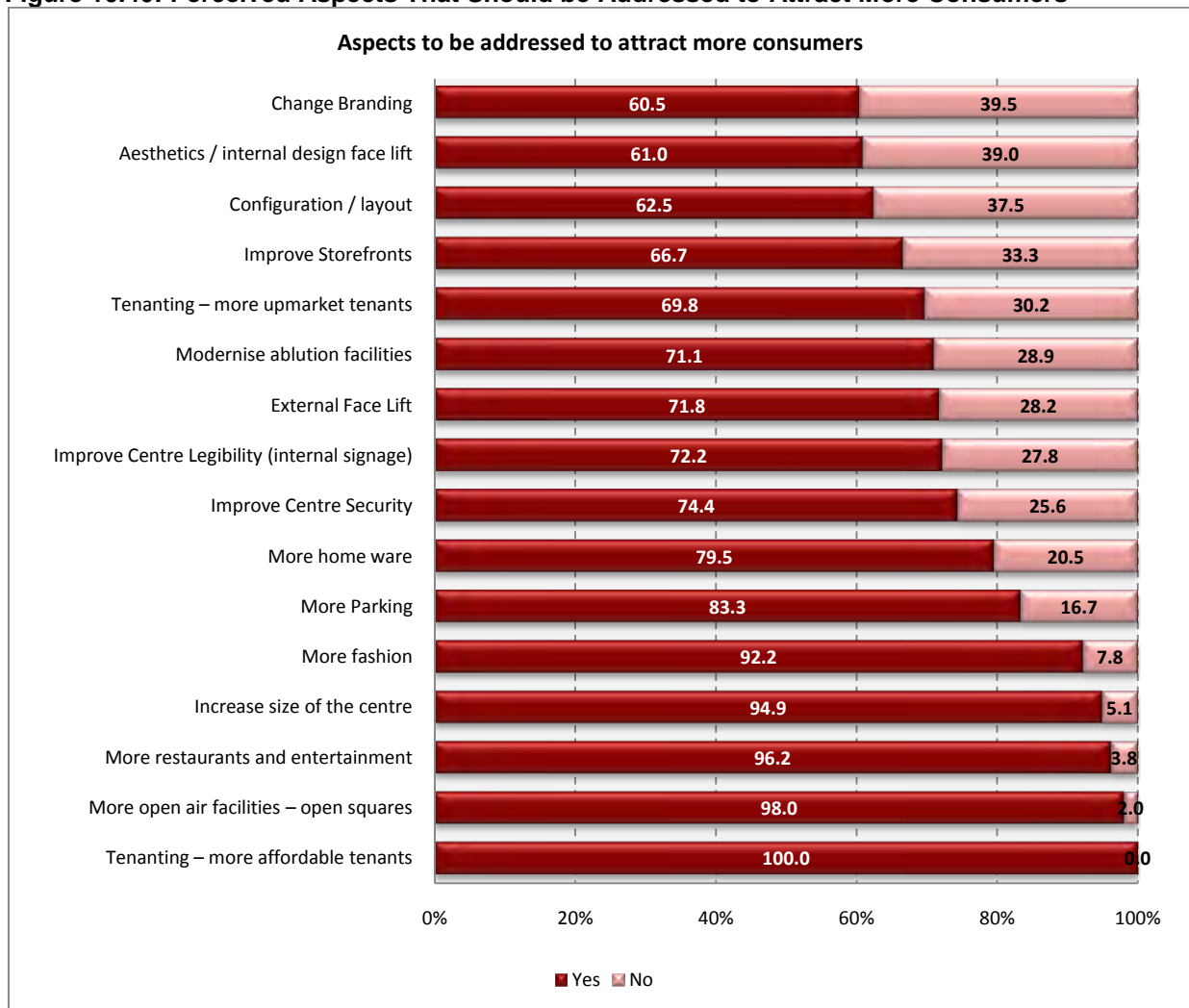
Source: Demacon Household Surveys, 2009

Figure 10.41: Provision Made for Informal Traders

Provision for Informal Traders

Yes
80.5%

No
19.5%
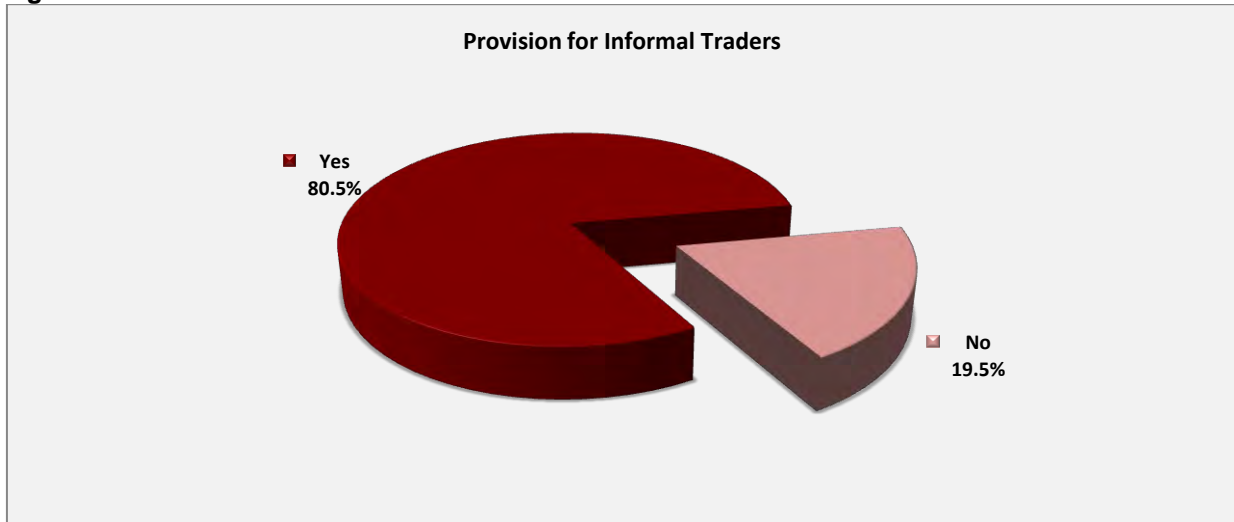
Source: Demacon Household Surveys, 2009

Findings: (Figures 10.40 and 10.41)

✓ The dominant perceived aspects that should be addressed include:
  • More affordable tenants;
  • More open air facilities;
  • More restaurants and entertainment;
  • Increase the size of the centre;
  • More fashion;
  • More parking;
  • More homeware;
  • Improve security;
  • Improve centre legibility.
✓ The majority of respondents also indicated that provision is made for informal traders.

10.4.6 NEED TO EXPAND THULA PLAZA

Consumers indicated the perceived need to expand Thula Plaza, showing the primary emphasis of the extension.

Figure 10.42: Perceived Need to Expand Thula Plaza

Perceived Need to Extend Thula Plaza

Yes
100.0%

No
0.0%
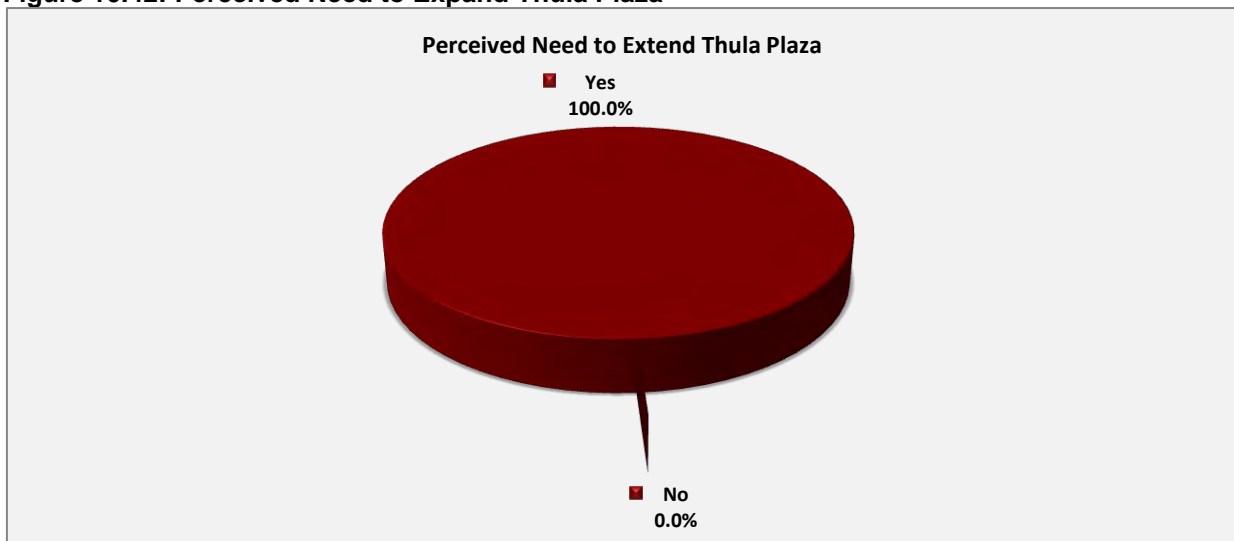
Source: Demacon Household Surveys, 2009

Figure 10.43: Preferred Primary Emphasis of Extension
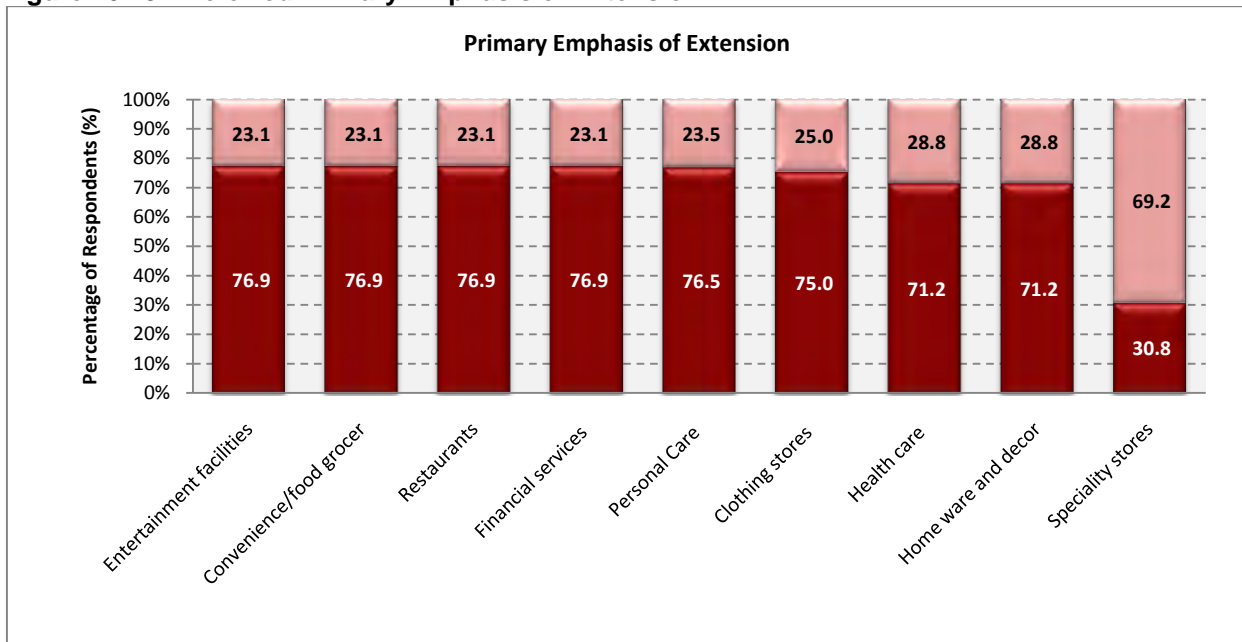
Source: Demacon Household Surveys, 2009

Findings: (Figures 10.42 and 10.43)

✓ The majority of respondents reflected a definite perceived need to extend Thula Plaza – **100.0%**
✓ The preferred primary emphasis of this extension should be on entertainment, convenience/food grocer, restaurants, financial services, personal care and clothing stores.

10.4.7 OVERALL IMPACT THULA PLAZA

Consumers gave feedback the overall impact that the development of Thula Plaza had locally.

Figure 10.44: Overall Impact of Thula Plaza
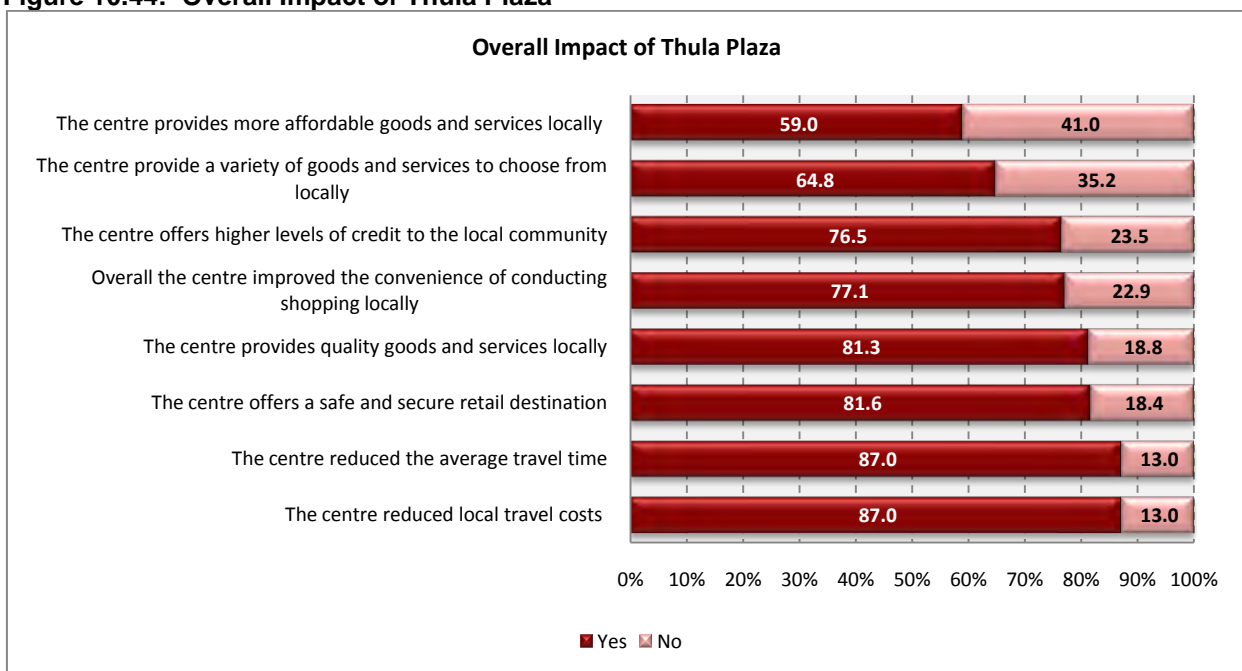
Source: Demacon Household Surveys, 2009

Findings: (Figure 10.44)

The development of Thula Plaza resulted in the following dominant impacts:

1. The centre reduced travel costs;
2. The centre reduced average travel time;
3. The centre offers a safe and secure retail destination;
4. The centre provides quality goods and services locally;
5. Overall the centre improved the convenience of conducting shopping locally.

10.4.8 LIVING STANDARD AND AVERAGE ANNUAL INCOME

Consumers indicated changes that took place in their living standard over the past five to 10 years, supported by an indication of monthly household income and contributions from remittances and social grants.

These factors provide important base information regarding household income, sources of income and changes affecting the overall level of disposable income. In general changes in these aspects have a direct impact on changes to living standards. These changes in living standards are therefore not directly linked to the development of Thula Plaza, but also influenced by an array of factors listed below.

Figure 10.45: Changes in Living Standards – 5 to 10yrs
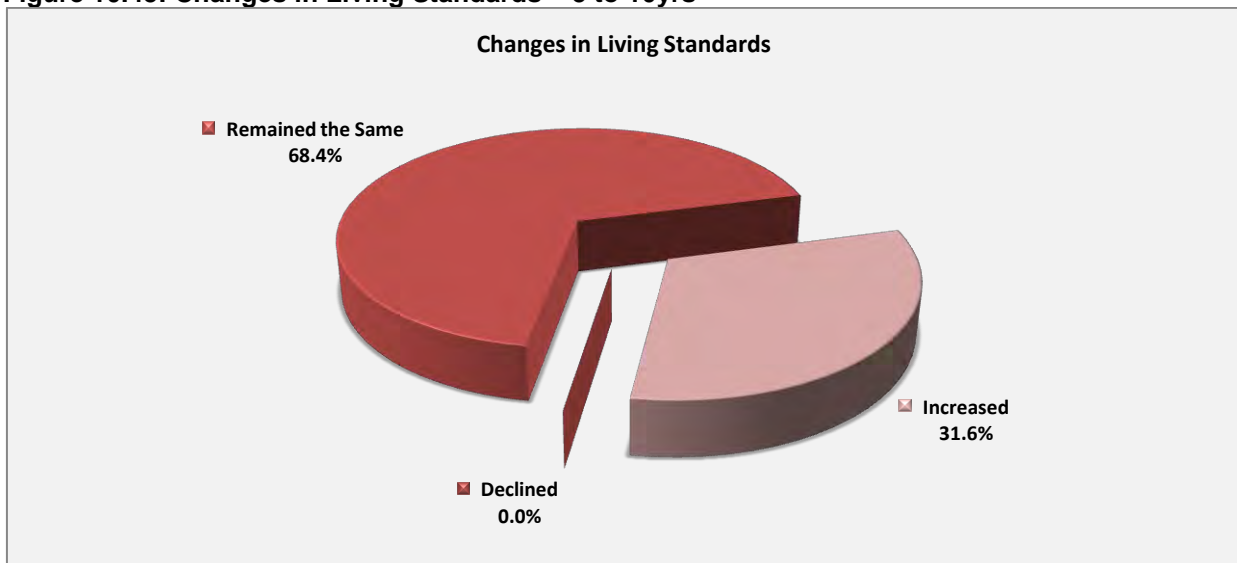
Source: Demacon Household Surveys, 2009

Findings: (Figures 10.45 to 10.46)

✓ The largest segment of respondents (68.4%) indicated that their living standards remained the same over the past five to 10 years, followed by 31.6% indicating an increase in living standards and none indicating a decline in living standards.
✓ These changes can largely be ascribed to the economic situation, more job opportunities, improved access to services and facilities, and more local retail.
✓ The weighted average monthly household income amounts to **R4 058.33.** This is on par with incomes specified under the socio-economic profile.
✓ In terms remittances, only**1.9%** of respondents obtain a certain percentage of their income from remittances.
✓ None of the respondents indicated any contribution from the social grant system.

Figure 10.46: Average Monthly Household Income Before Deductions
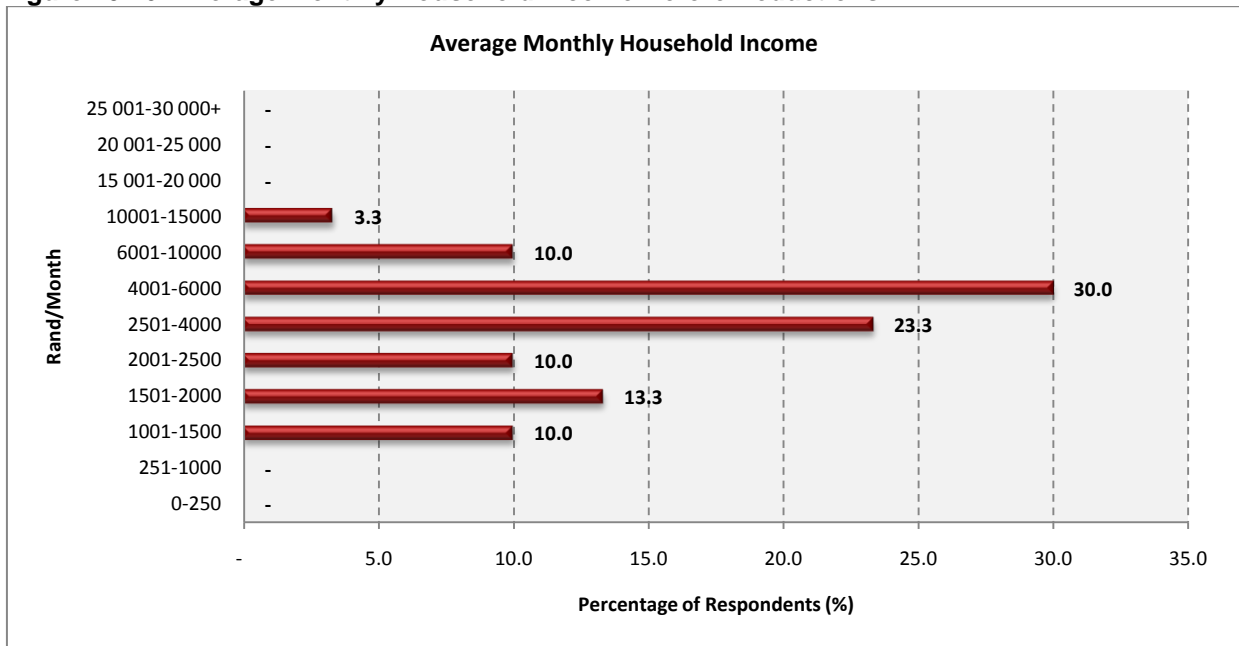
Source: Demacon Household Surveys, 2009

10.5   SYNTHESIS

This chapter provided an in-depth assessment of Thula Plaza, the socio-economic profile of the primary trade area population and past and current consumer behaviour. Overall, the chapter assisted with the identification of the impacts that the development of Thula Plaza had on the local community and economy – Table 10.7.

Table 10.7: Impact of the Development of Thula Plaza

	Change	Impact
Changes in shopping location:		
Hazyview	23.9% to 22.7%	⬇
Acornhoek	20.4% to 11.4%	⬇
Bushbuck Ridge	31.0% to 31.8%	⬆
Nelspruit	23.9% to 15.9%	⬇
Other Areas	0.9% to 18.2%	⬆
Percentage of shopping conducted outside the local areas	50.8% to 35.7%	⬇
Percentage of shopping at local traders	30.9% to 27.0%	⬇
Average transport cost:		
Retail centre	R19.5 to R7.2	⬇
Local traders	R16.0 to R17.1	⬆
Average travel time:		
Retail centre	32.7min to 9.1min	⬇
Local traders	26.2min to 21.4min	⬇
Monthly household retail expenditure	R534.2 to R1 103.9 Thula Plaza – R782.6	⬆
Impact on local traders:	Slight to large decline in support – 85.7%	⬇
1. **Everything remained the same**	34.8%	**Constant**
2. **Decline in informal traders**	25.4%	**Negative**
3. **Closure of local businesses**	13.5%	**Negative**
4. **Movement of local businesses closer to the mall**	5.8%	**Positive**
5. **Informal traders moved closer to the mall**	3.8%	**Positive**
6. **Movement of local business to the mall**	1.9%	**Positive**
Overall impact of Thula Plaza		
8. **Reduced average travel cost**	87.0%	**Positive**
9. **Reduced average travel time**	87.0%	**Positive**

	Change	Impact
10. Centre provide safe and secure retail destination	81.6%	
11. Provide good quality goods and services locally	81.3%	**Positive**
12. Centre improve overall convenience of shopping locally	77.1%	**Positive**

From Table 10.7 it is evident that the overall impact of Thula Plaza has been positive, despite the slightly negative perceived impact on support for local traders. Overall, it has improved the retail landscape within the local area; reducing the leakage of buying power, reducing travel costs and travel times, increased local expenditure and improved the overall convenience of shopping locally.

CHAPTER ELEVEN: IN-DEPTH CASE STUDY ANALYSIS – NKOWANKOWA

11.1   INTRODUCTION

As part of the market research a case study was also carried out in an area where no formal retail centres exist.   The area selected for this purpose was NkowaNkowa in Limpopo. 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.

11.2   CONSUMER MARKET PROFILE

In order to study the consumer market profile of the area, a 10km trade area was delineated – Refer to Map 11.1.   Subsequent paragraphs highlight the dominant characteristics of the primary trade area population, in terms of:

- ✓   Population size;
- ✓   Racial profile;
- ✓   Age profile;
- ✓   Level of education;
- ✓   Employment status;
- ✓   Occupation profile and manner of employment;
- ✓   Average annual household income;
- ✓   Mode of transport;
- ✓   Dwelling type.

Table 11.1: Consumer Market Profile, 2010 Estimates

Variable	Primary Source Market Characteristics
Number of people	✓ 124 819
Number of households	✓ 40 219
Household size	✓ 4.2
Household density	✓ 381.9 households/km^2
Racial distribution	✓ African blacks: 97.4% ✓ White: 2.2% ✓ Coloureds: 0.4% ✓ Indian Asians: 0.1%
Age profile	✓ 0-14: 30.7% ✓ 15-19: 10.5% ✓ 21-35: 28.5% ✓ 36-65: 26.8% ✓ 65+: 3.5%
Educational attendance (aged 5 to 24 years)	✓ School: 66.0% ✓ None: 30.3% ✓ Pre-school: 2.2% ✓ Other: 1.5%
Highest level of education (aged 20 and older)	✓ Higher: 8.0% ✓ Grade 12: 15.1% ✓ Some secondary: 25.7% ✓ Some primary and primary: 22.4% ✓ None: 28.8%
Level of employment	✓ EAP: 65.9% ✓ Employed: 70.4% ✓ Unemployed: 29.6%
Manner of employment	✓ Paid employees: 91.5% ✓ Self-employed: 3.6% ✓ Family worker: 1.0% ✓ Employer: 3.8%

Variable	Primary Source Market Characteristics
Occupation profile	✓ Elementary occupations: 47.0% ✓ Skilled agriculture workers: 9.5% ✓ Craft and related trade: 9.5% ✓ Plant and machine operators and assemblers: 8.0% ✓ Technicians and associate professionals: 7.1% ✓ Service workers: 7.0% ✓ Clerks: 6.7% ✓ Professionals: 3.5% ✓ Legislators, senior officials and managers:1.8%
Weighted average household income[93]	Total market earning an income: ✓ R40 723.8/annum ✓ R3 393.7/month LSM 4 to 10+: ✓ R90 723.5/annum ✓ R7 560.3/month
LSM profile	✓ LSM 1-3: 67.1% ✓ LSM 4-10+: 32.9%
Mode of transport	✓ On foot: 75.3% ✓ Private vehicle: 10.3% ✓ Mini-bus: 8.0% ✓ Bus: 4.1%
Dwelling type	✓ House on separate stand: 50.1% ✓ Living quarters and other: 25.6% ✓ Traditional dwellings: 14.9% ✓ Informal dwelling on separate stands: 4.9% ✓ Informal dwellings in backyard: 1.4%

Source: Demacon Ex. Quantec, 2010

Subsequent figures highlight some of the salient features of the consumer market.

Figure 11.1: Age Profile of Consumer Market
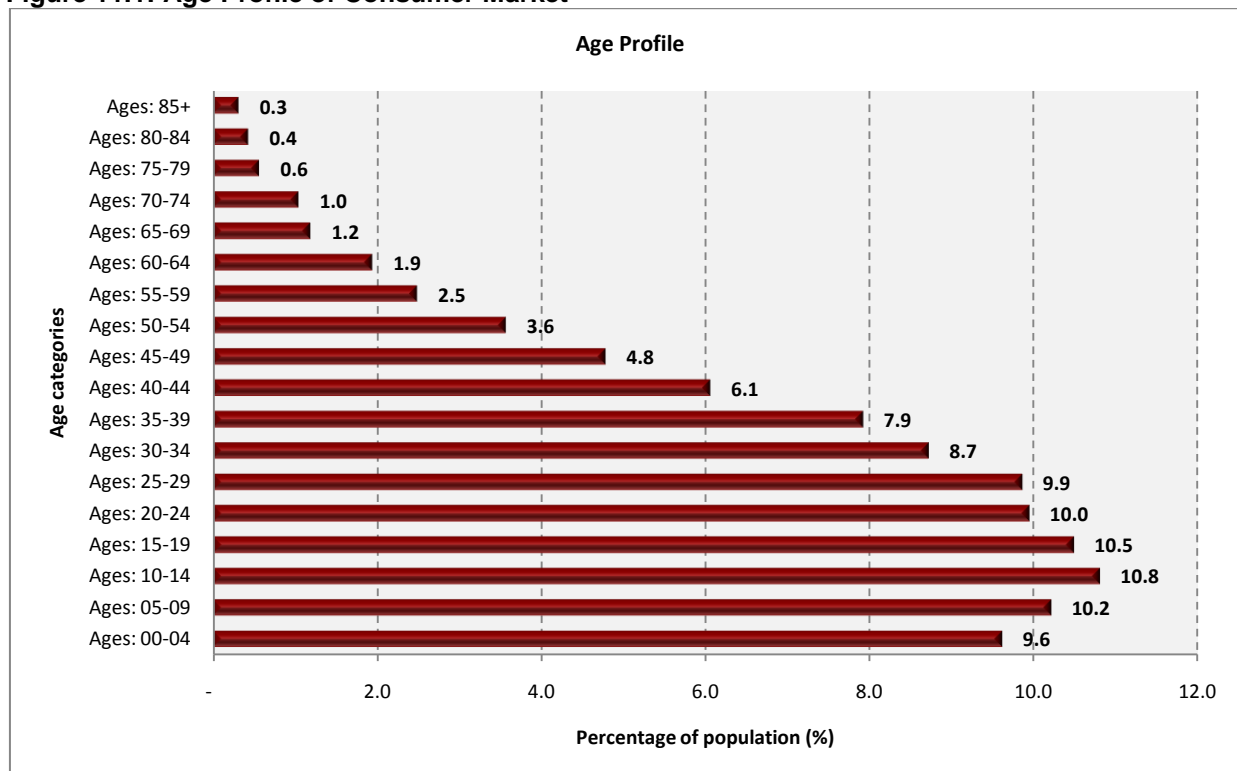
Source: Demacon, 2010

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[93] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Map 11.1: Primary Trade Area - 10km Radius

Drive Time

5 minutes
10 minutes
15 minutes

Site
10km Radius
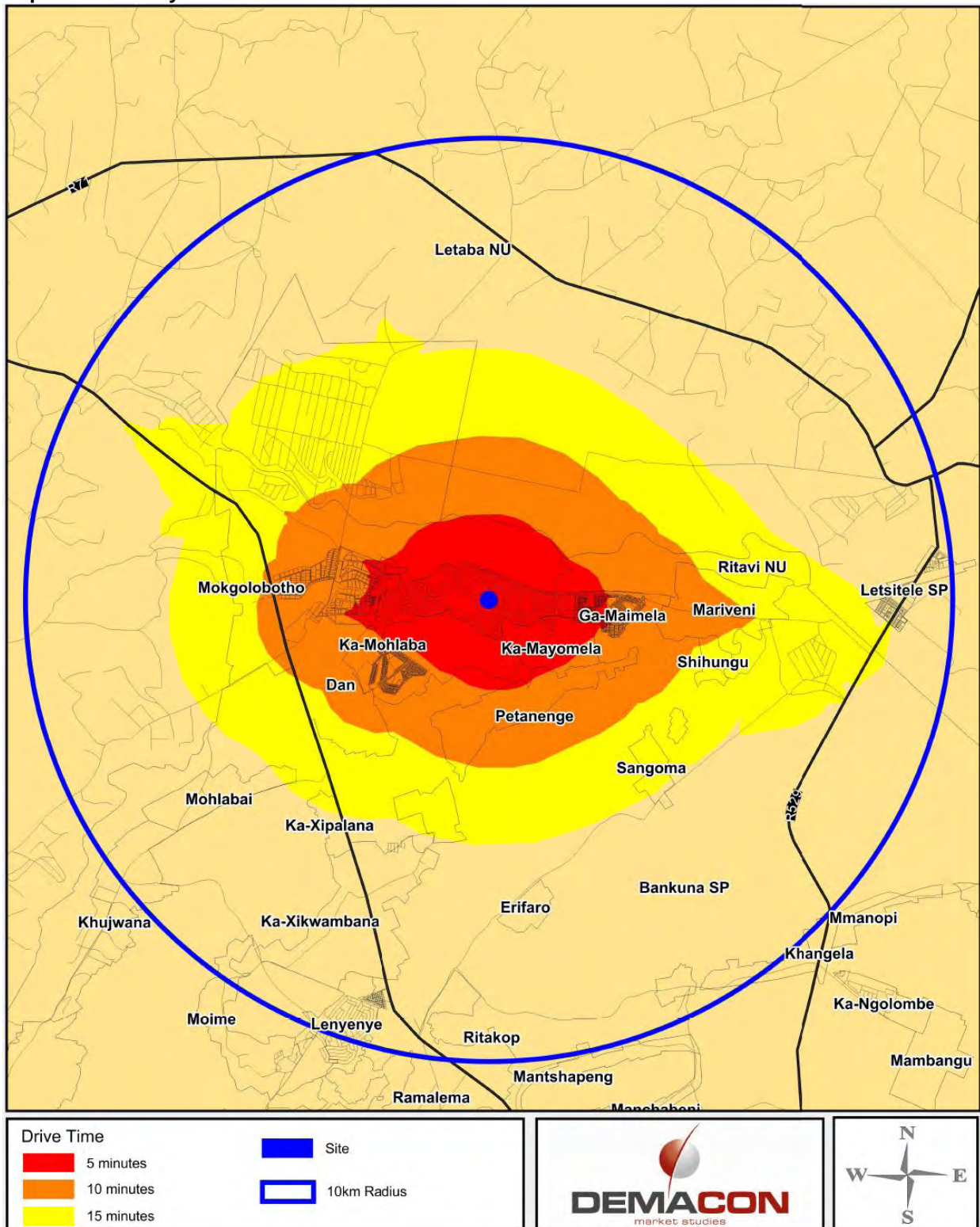
Figure 11.2: Employment Status
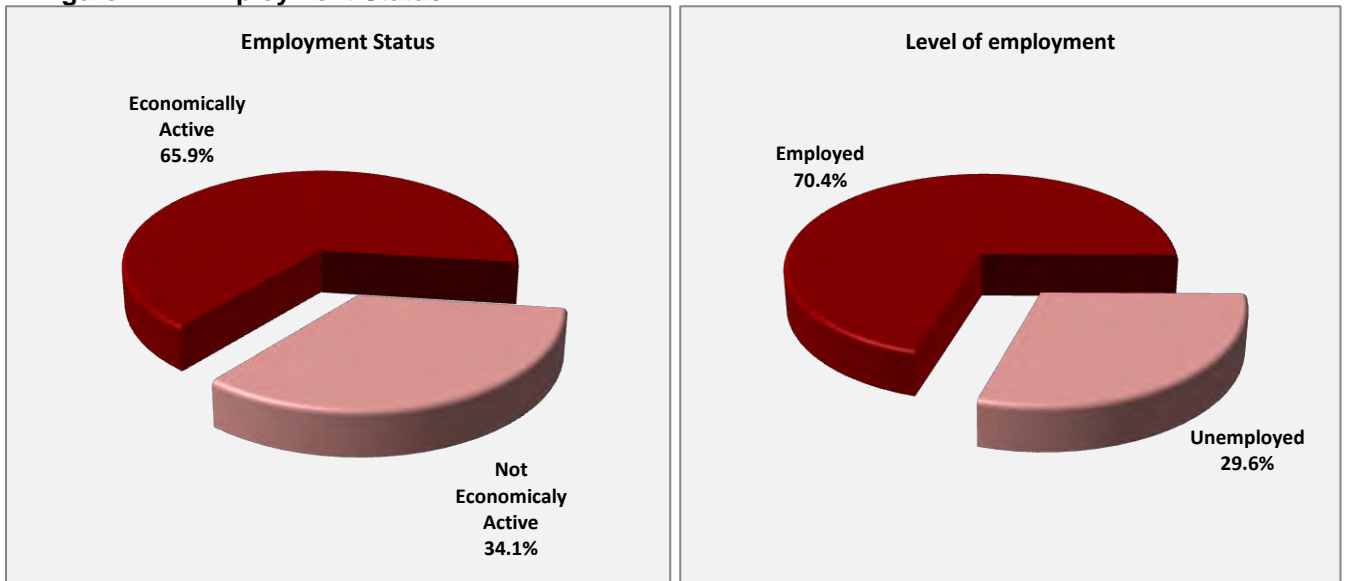
Source: Demacon Ex. Quantec, 2010

Table 11.2: Living Standard Measurement Indicator, 2010

Income category (R/month)	LSM Status	Market Area
Super A income	LSM 10+	1.2
A Income	LSM 10	0.5
B Income	LSM 9	2.2
C Income high	LSM 8	1.0
C Income low	LSM 7	3.9
D Income	LSM 6	6.1
D Lower top	LSM 4 to 5	18.0
D lower end	LSM 1 to 3	67.1

Source: Demacon Ex. Quantec, 2010

Figure 11.3: Average Annual Household Income, 2010
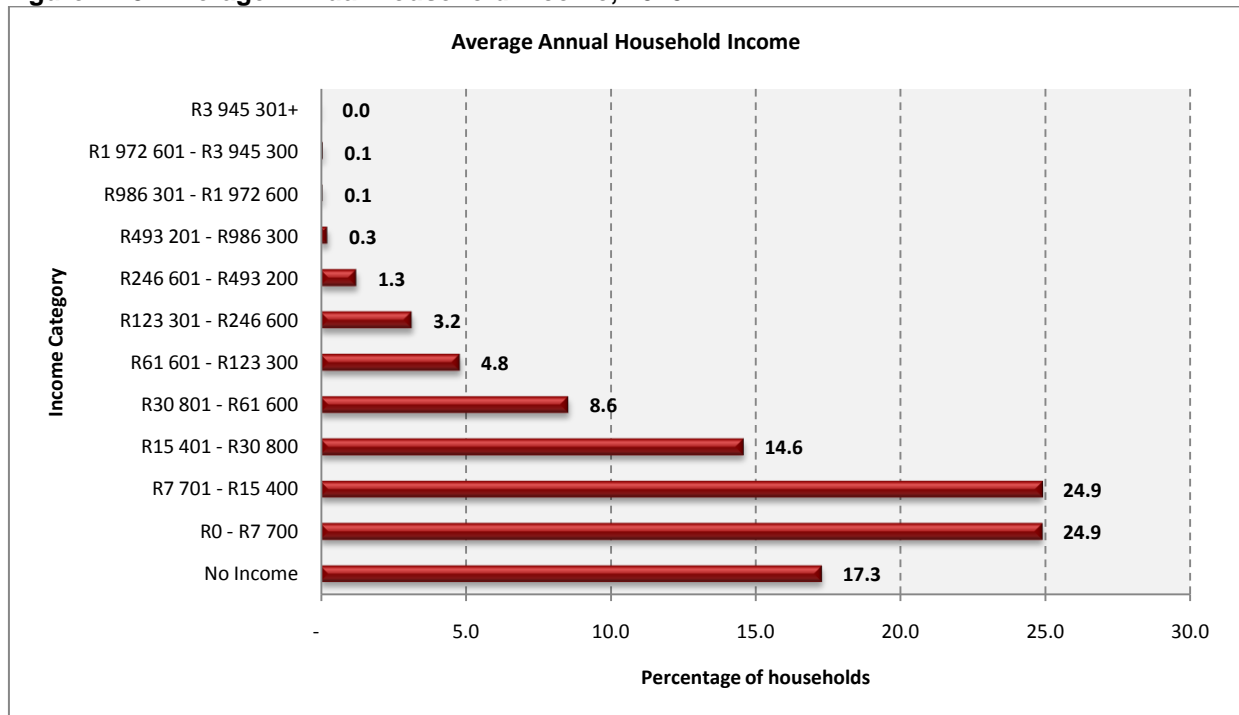
Source: Demacon Ex. Quantec, 2010

Overall the primary consumer market profile reveals the following pertinent characteristics:

- ✓ At least **40 219** households (2010);
- ✓ Largely an African black consumer market;
- ✓ Relatively large segment of young and upcoming market segment, supported by a more mature adult segment and a relatively large youth component;
- ✓ Consumer market characterised by low levels of education;
- ✓ Relatively large economically active market segment, characterised by high levels of employment – reflecting moderate dependency ratios;
- ✓ Occupation profile reflects a dominance of blue collar occupations – reflecting a middle income consumer market characterised by pockets of wealth and poverty;
- ✓ Weighted average monthly household income of target market (LSM 4 to 10+) approximately **R7 560.3** (2010);
- ✓ Low to moderate living standard levels – **LSM 1 to 3 (67.1%); LSM 4 to 10+ (32.9%);**
- ✓ A number of factors contribute to the general property development climate in a specific geographical area. The socio-economic factors that provide an initial indication of market potential are levels of education, level of employment, income and standards of living. These factors combined reflect a consumer market with a demand predominantly focused towards the lower to middle spectrum of commercial products and services.

11.3   RETAIL SUPPLY WITHIN THE LARGER REGION

Map 11.2 indicates the location of retail centres within the larger region. It is evident that six retail centres are located within 20km from NkowaNkowa – largely concentrated in Tzaneen.

Table 11.3: Retail Supply Within 20km from NkowaNkowa

Centre	Location	Size (m^{2}GLA)	Classification	Developed	Shops	Anchors
Tzaneng Mall	Tzaneen	39 000	Minor regional	1990	92	Pick 'n Pay Super, Woolworths, Game
Maake Plaza	Tzaneen	15 855	Community	2008	40	Shoprite
Tzaneen Crossing	Tzaneen	10 390	Neighbourhood	1989	32	Shoprite, Identity, FNB, Ackermans
Boxer Centre	Tzaneen	5 094	Neighbourhood	1988	10	Boxer Cash 'n Carry
Checkers Centre	Tzaneen	5 055	Neighbourhood			Checkers
Oasis Mall	Tzaneen	3 471	Local convenience	1990	13	Spar
Total		**78 865**				

Source: Demacon Ex. SACSC, 2010

- ✓ Closest retail supply is within 20km of NkowaNkowa – constituting approximately 78 865m^2 retail GLA.
- ✓ Sizes of the centres vary between 3 471m^2 retail GLA and 39 000m^2 retail GLA.
- ✓ These consist of one minor regional centre, a community centre, three neighbourhood centres and a local convenience centre.
- ✓ Only one centre was developed post 2000.
- ✓ Anchors include Pick 'n Pay, Woolworths, Game, Shoprite, Identity, FNB, Ackermans, Boxer, Spar.

Map 11.2: Retail Supply in Proximity to NkowaNkowa
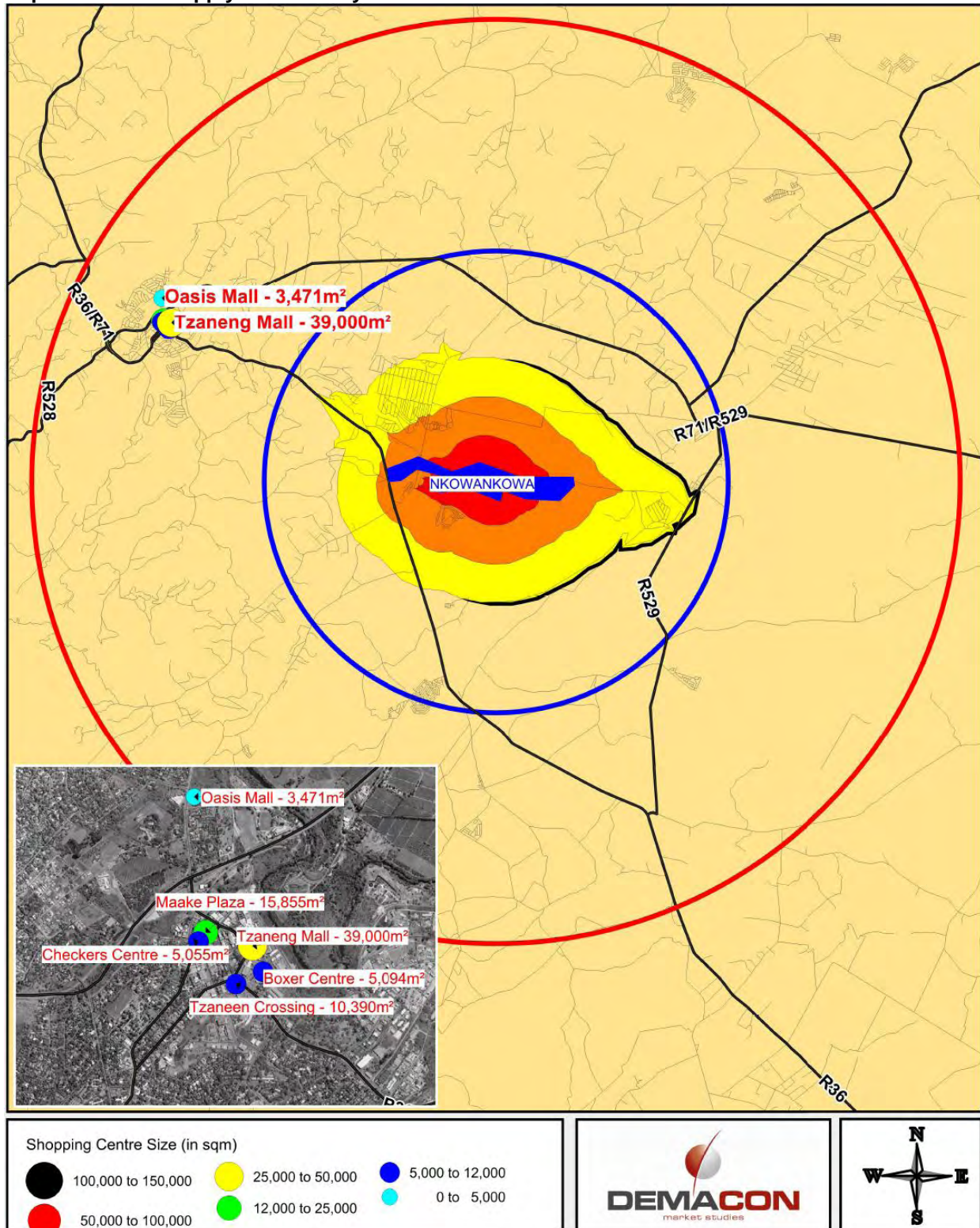
Subsequent pictures provide a visual illustration of shopping facilities within NkowaNkowa. In order to study the current consumer behaviour of the local community and to identify the potential impact that a formal retail centre could have on NkowaNkowa, proportionally stratified household surveys were conducted within the 10km radius. Subsequent paragraphs highlight the findings of these surveys.

Pictures 11.1: NkowaNkowa Shopping Facilities

11.4   CURRENT CONSUMER BEHAVIOUR AND DEMAND FOR FORMAL RETAIL FACILITIES AND ANTICIPATED IMPACT

11.4.1 HOUSEHOLD INFORMATION

Subsequent paragraphs discuss household information disclosed by the respondents pertaining to the number of households on premises, average household size, current life stage, age profile of household members, the family member responsible for retail purchases, mode of transport, number of breadwinners and employment location.

Figure 11.4: Number of Households on Premises
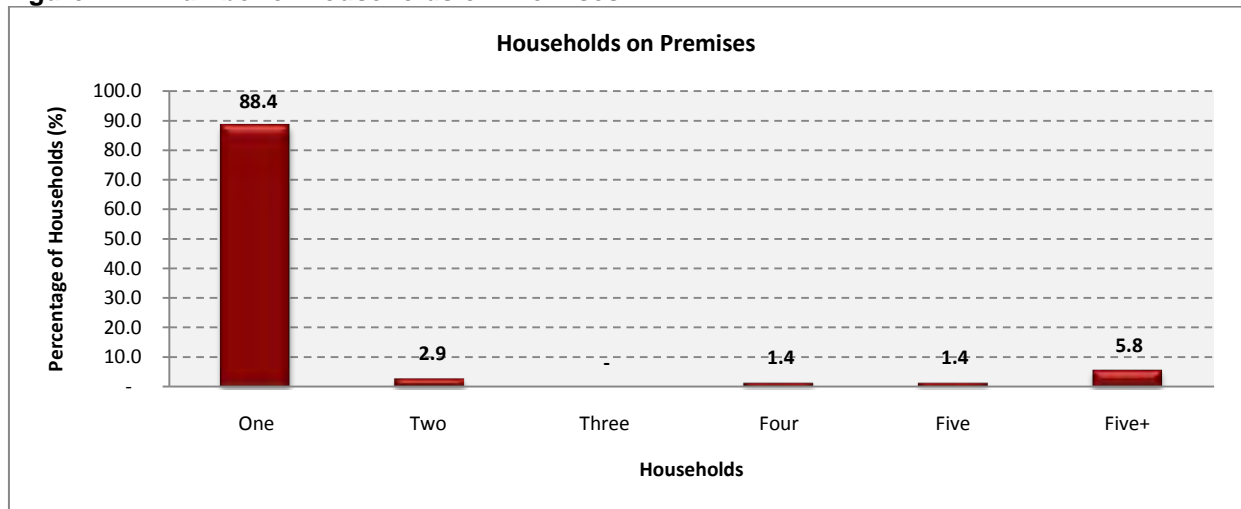
Source: Demacon Household Surveys, 2009

Figure 11.5: Average Household Size
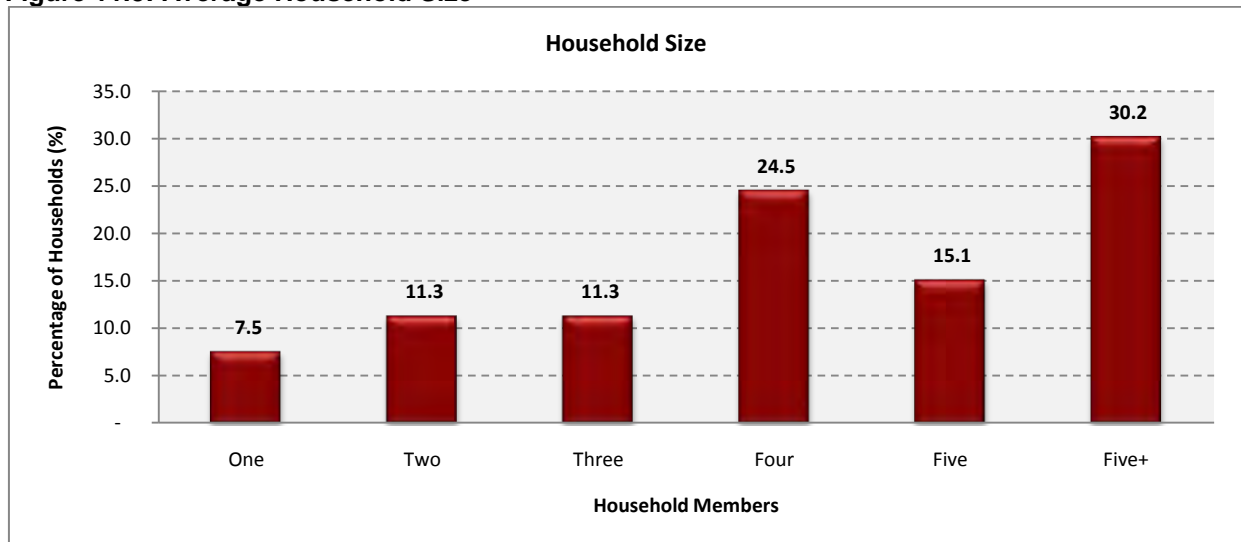
Source: Demacon Household Surveys, 2009

Findings: (Figures 11.4 to 11.8)
✓   In general there is **one household** on the premises – 88.4%, followed by smaller segments reflecting two to more households on the premises – 11.6%.
✓   Households mostly consist of four or more members – 69.8%.
✓   Dominant life stages include **mature parents, couples, mature singles and golden nests.**
✓   Age profile reflects a large young adult segment (32.0%), supported by a large mature adult segment (27.1%), and moderate youth (20.5%) and child segment (20.5%).

✓ The family member mainly responsible for conducting retail purchases is the **mother (54.1%),** followed by the father (32.1%) and to a lesser extent the daughter or son.

Figure 11.6: Current Life Stage

Life Stage
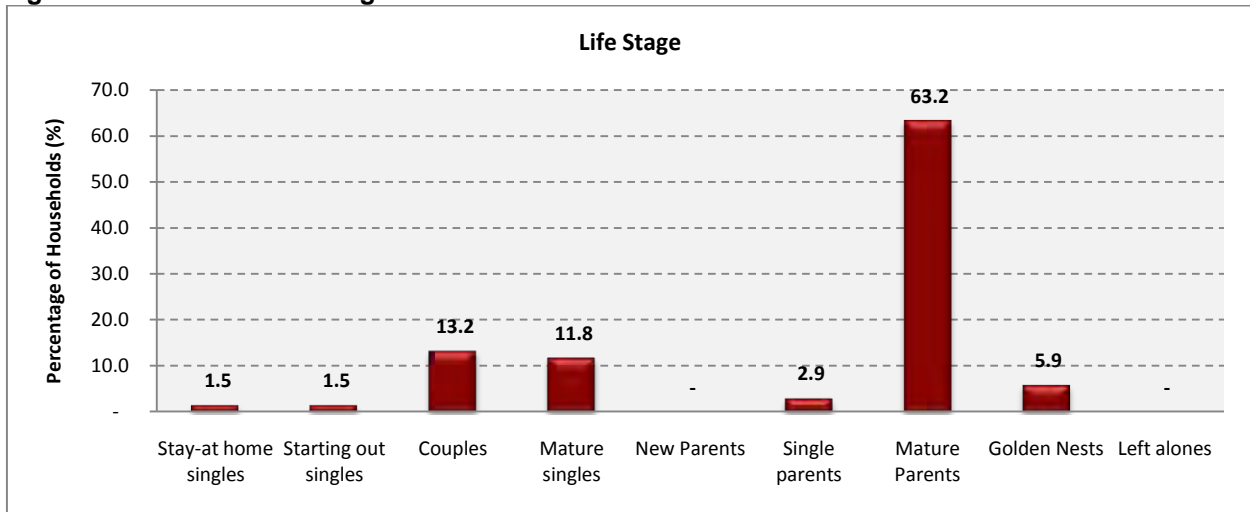
Source: Demacon Household Surveys, 2009

Figure 11.7: Age Profile of Household Members

Age Profile
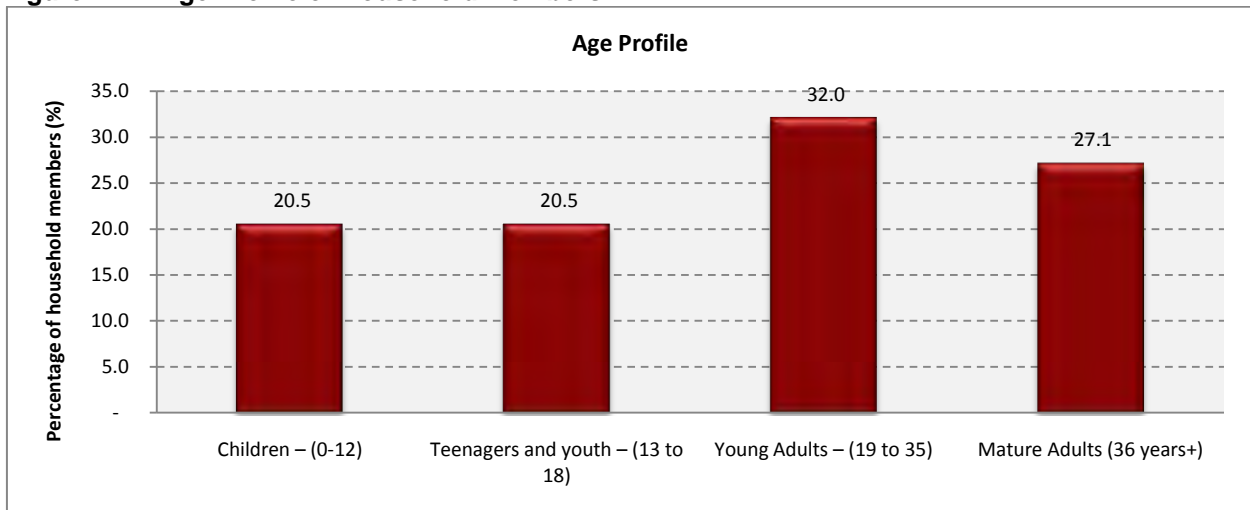
Source: Demacon Household Surveys, 2009

Figure 11.8: Family Member Predominantly Responsible for Retail Purchases

Family Member Responsible for Retail Purchases

- Mother 54.1%
- Father 32.1%
- Daughter 6.4%
- Son 4.6%
- Grandma 2.8%
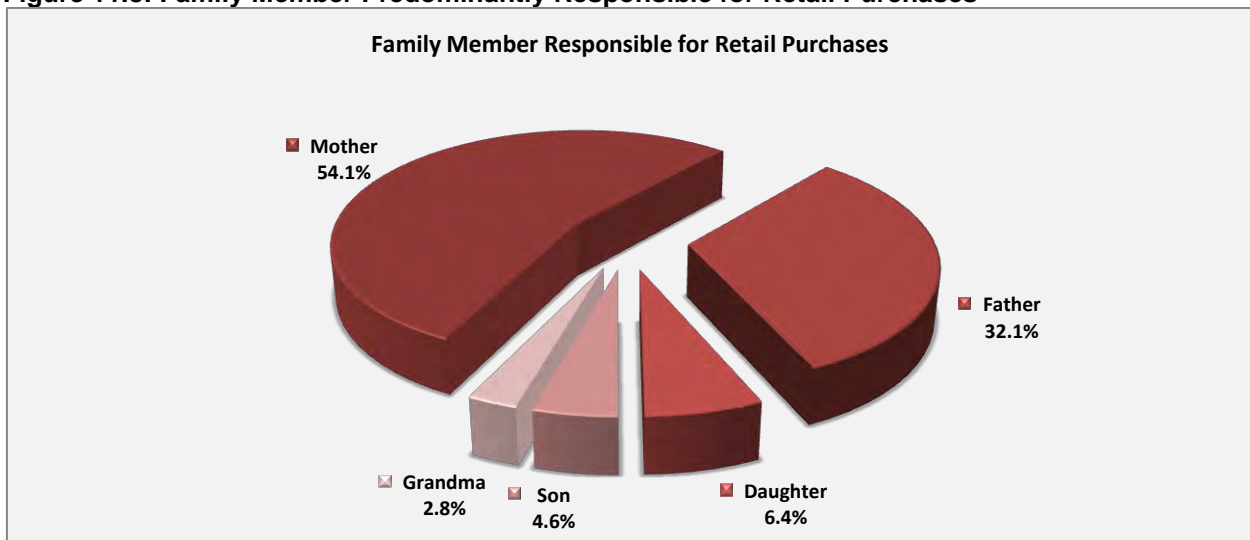
Source: Demacon Household Surveys, 2009

Figure 11.9: Mode of Transport to Retail Centres
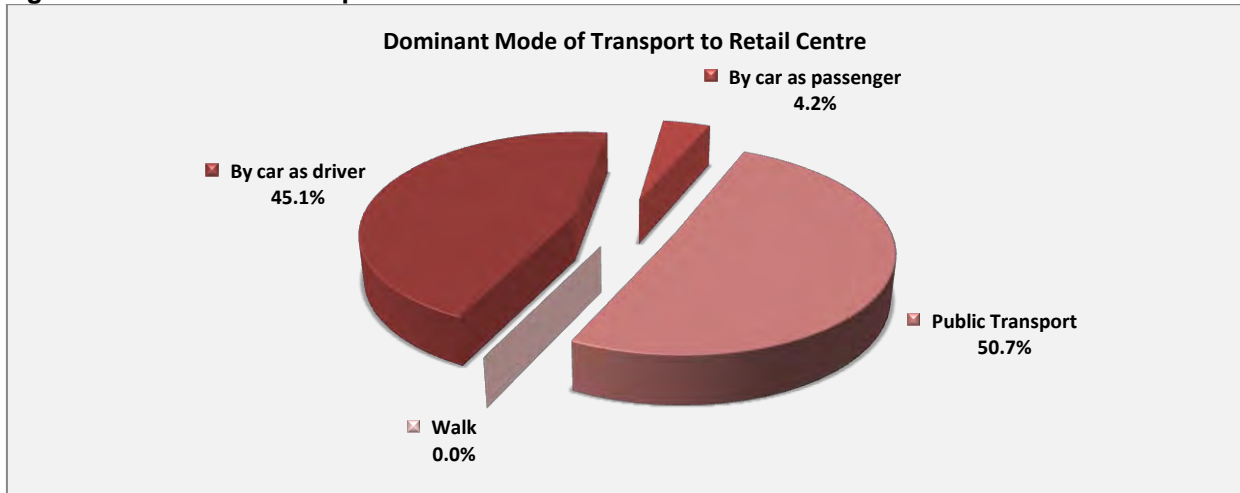
Source: Demacon Household Surveys, 2009

Figure 11.10: Number of Breadwinners
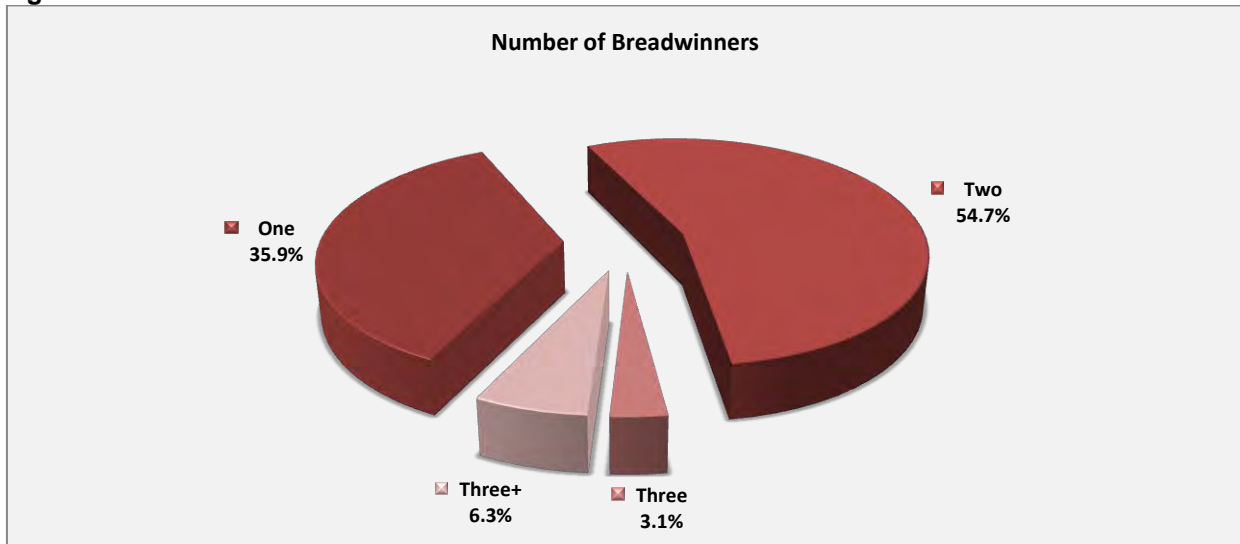
Source: Demacon Household Surveys, 2009

Findings: (Figures 11.9 to 11.10)

✓ The dominant mode of transport utilised by the family member conducting retail purchases to reach retail destinations includes **public transport (50.7%)** or **private vehicle (49.3%).** The fact that they do not walk reflects the distance of these centres from their homes.

✓ On average most households have **two breadwinners** (54.7%), followed by a large segment of households being characterised by single breadwinners (35.9%).

✓ In general breadwinners are employed in Tzaneen, with small percentages being employed in Polokwane, Giyane, NkowaNkowa, Pretoria and Johannesburg.

11.4.2 CONSUMER BEHAVIOUR

Subsequent paragraphs look at current consumer behaviour in terms of percentage of shopping conducted locally, preferred retail centres, retail expenditure distribution between shopping centres and local traders, average distance to preferred centres, preferred time to conduct shopping, average dwell time, method of payment and transport cost to retail centres.

Figure 11.11: Percentage of Monthly Shopping Conducted Within NkowaNkowa and Outside NkowaNkowa
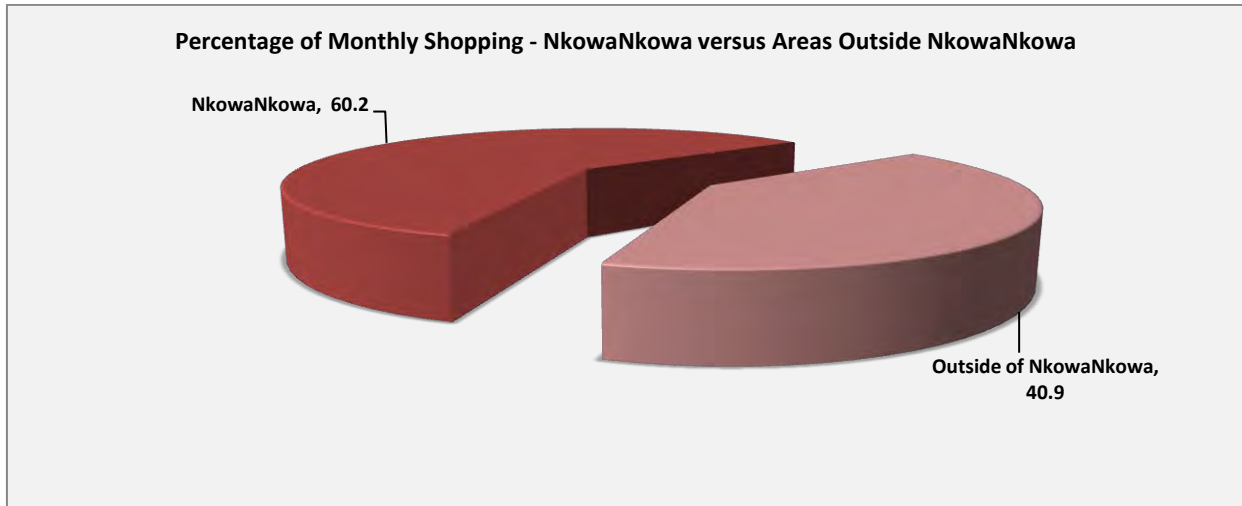
Source: Demacon Household Surveys, 2009

Figure 11.12: Percentage of Shopping Conducted at Local Traders
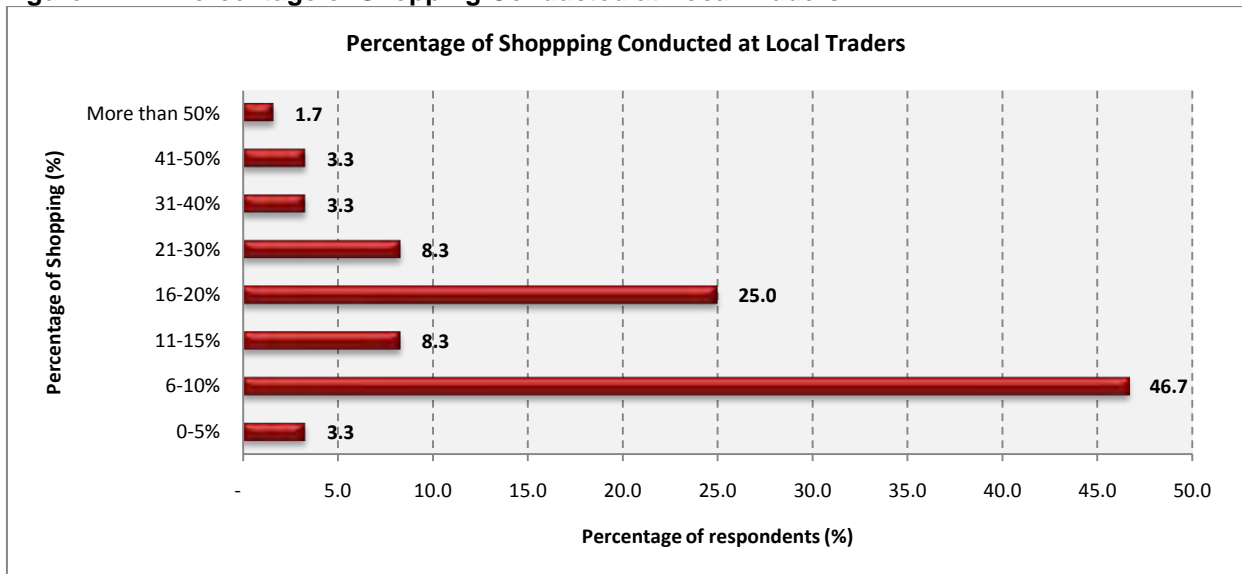
Source: Demacon Household Surveys, 2009

Findings: (Figures 11.11 to 11.14)

✓ In general respondents indicated that they conduct approximately **60.2%** of their **monthly shopping locally** and 40.9% outside of NkowaNkowa.

✓ Respondents also indicated that they conduct between **6% and 10%** of their monthly shopping at **local traders (46.7%),** followed by a medium sized segment indicating that they conduct between 16% and 20% at local traders (25.0%). A small segment of households conduct more than 30% of their monthly shopping at local traders.

✓ In terms of retail expenditure it is evident that the majority of respondents spend between R751 and R2 000 per month at formal retail centres (66.6%) – average weighted monthly expenditure amounts to **R1 650.9**[94]

✓ Most respondents indicated that they spend between R50 and R150 at informal traders per month (66.7%) – average weighted monthly expenditure amounts to **R111.9**[95]**.**

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[94] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

✓ In terms of the favourite retail centres supported – the strong reliance on Tzaneen's retail supply is evident. Favourite retail centres include Tzaneen Crossing, Tzaneng Mall, Maake Plaza, followed by Checkers Centre, Oasis Mall and Mabopane Retail Centre.

Figure 11.13: Monthly Retail Expenditure at Shopping Centres and Traders
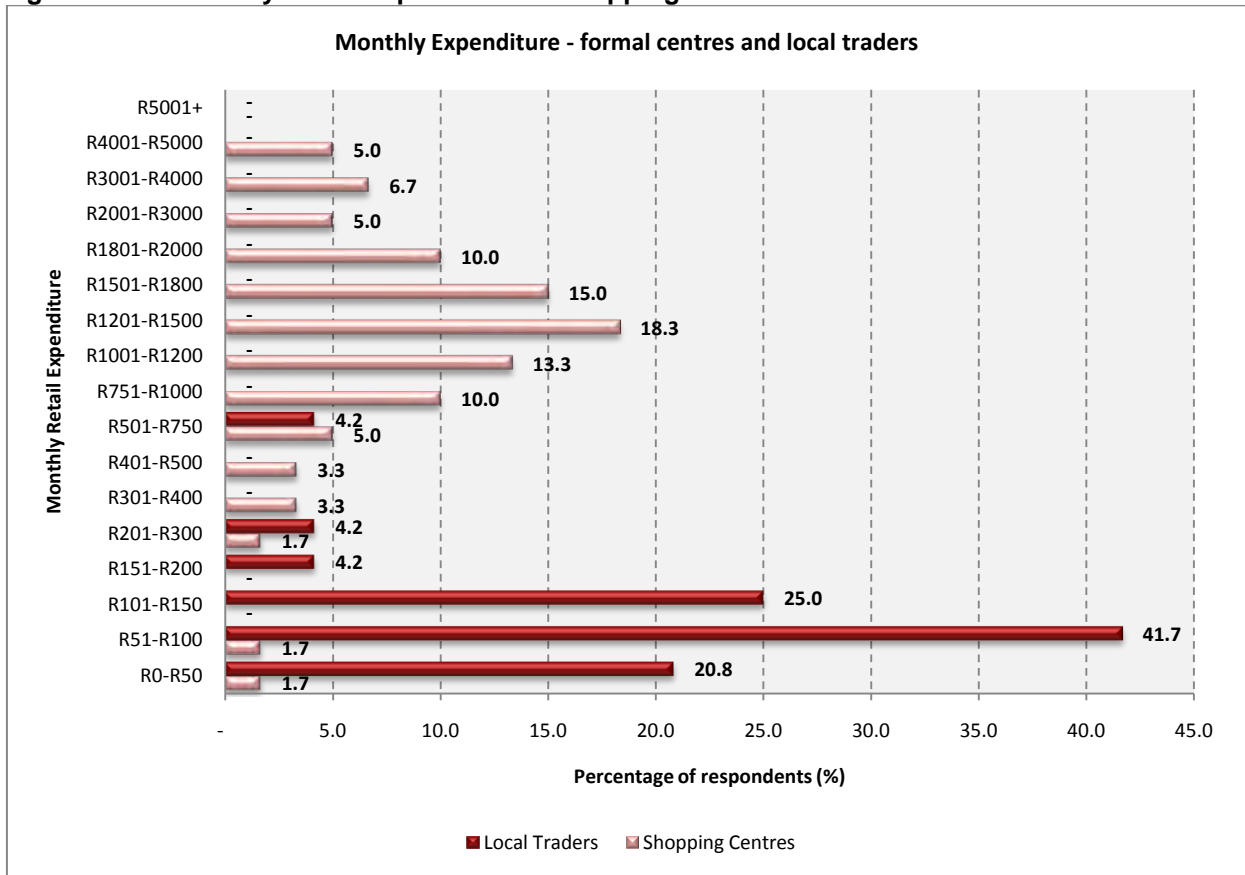
Source: Demacon Household Surveys, 2009

Figure 11.14: Preferred Retail Centre
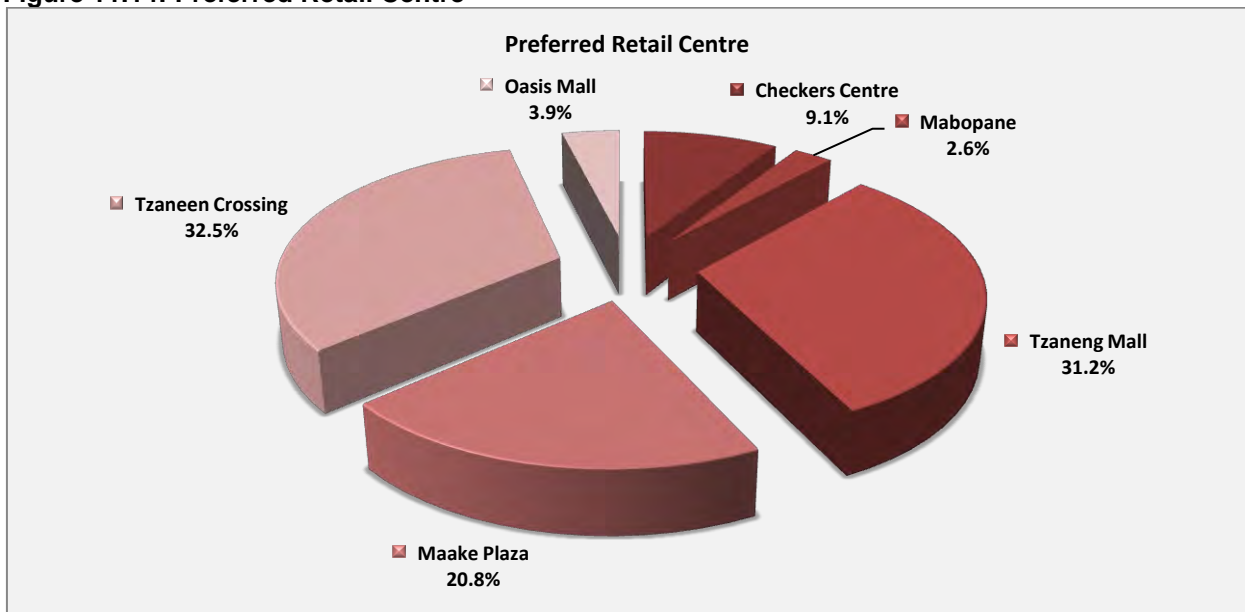
Source: Demacon Household Surveys, 2009

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[95] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

Figure 11.15: Average Distance to Favourite Retail Centres
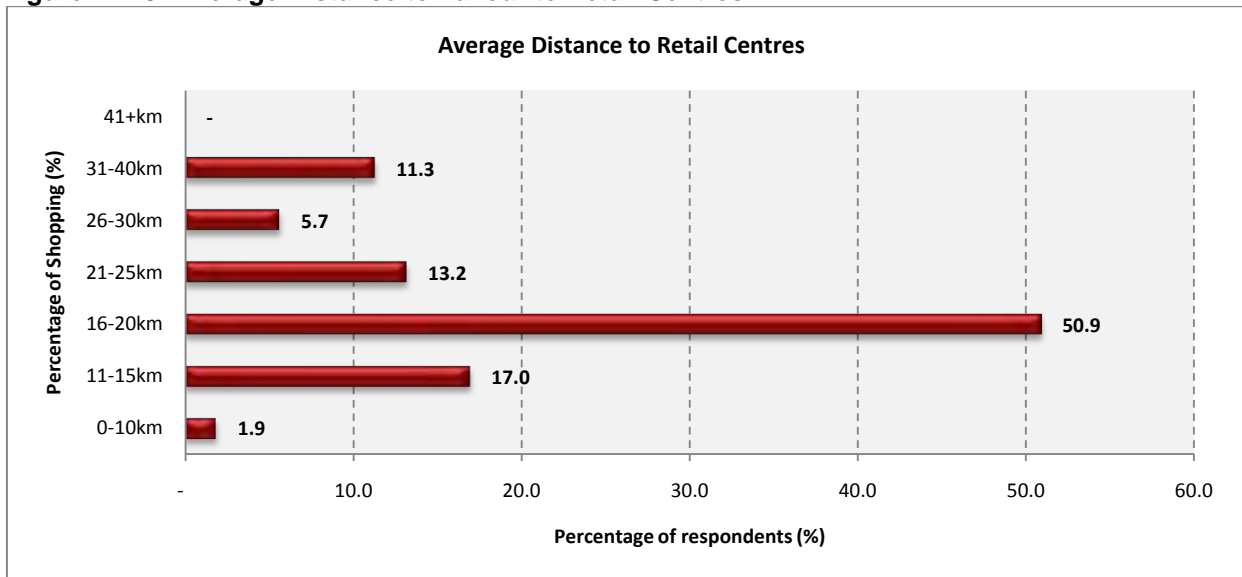
Source: *Demacon Household Surveys, 2009*

Figure 11.16: Transport Cost to Formal Shopping Centre and Local Traders
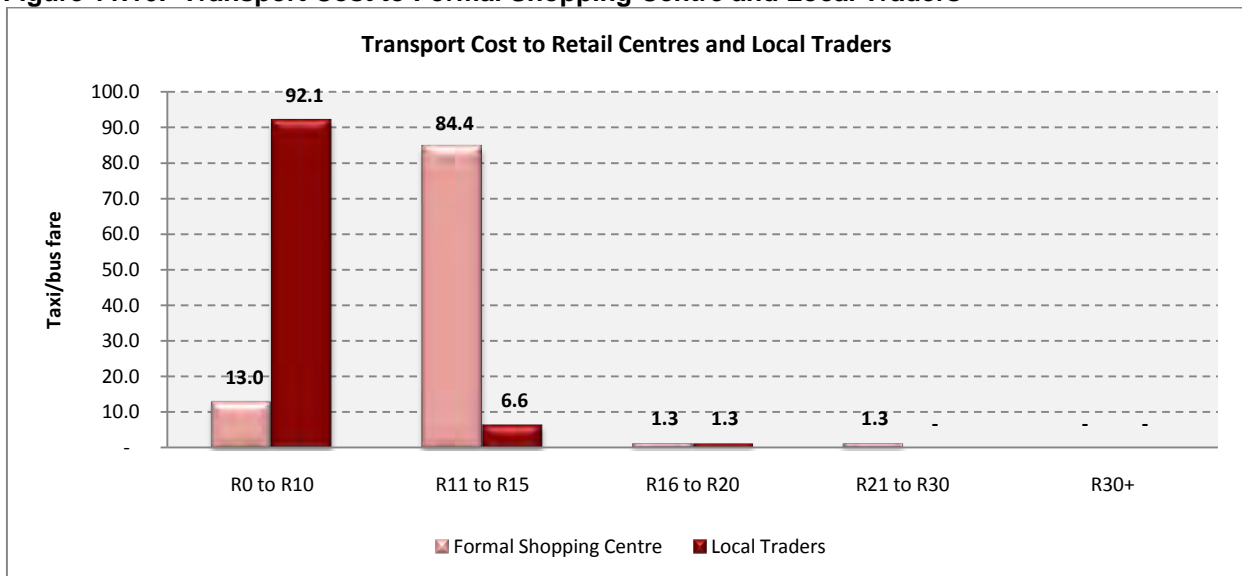
Source: *Demacon Household Surveys, 2009*

Findings: (Figures 11.15 to 11.17)

✓ In terms of the average distance to these centres the majority indicated that this is between 16 and 20km (50.9%), a relatively large segment also indicated distances of up to 40km (30.2%) and a small segment indicated distances of 11 to 16km.

✓ The cost of transport to reach retail centres is mostly between R11 and R15 (84.4%) - average weighted transport cost amounts to R12.2; and less than R10 to local traders (92.1%) - average weighted transport cost amounts to **R5.7[96].**

✓ The average travel time to formal retail centres is mainly between 16 and 20 minutes (31.1%), followed by a large segment indicating longer travel times of up to 50 minutes (37.7%), and another segment reflecting travel times of 11 to 15 minutes (24.4%) - (average weighted travel time amounts to **20.8 minutes**).

---

[96] Note: Weighted average is an average of multiple values produced by assigning a weight to each value, multiplying each value by its weight, and then adding the results.

✓ The average travel time to local traders is mainly less than five minutes – 87.2% (average weighted travel time amounts to **3.6 minutes**).

Figure 11.17: Average Travel Time to Formal Shopping Centre and Local Traders

Average Travel Time
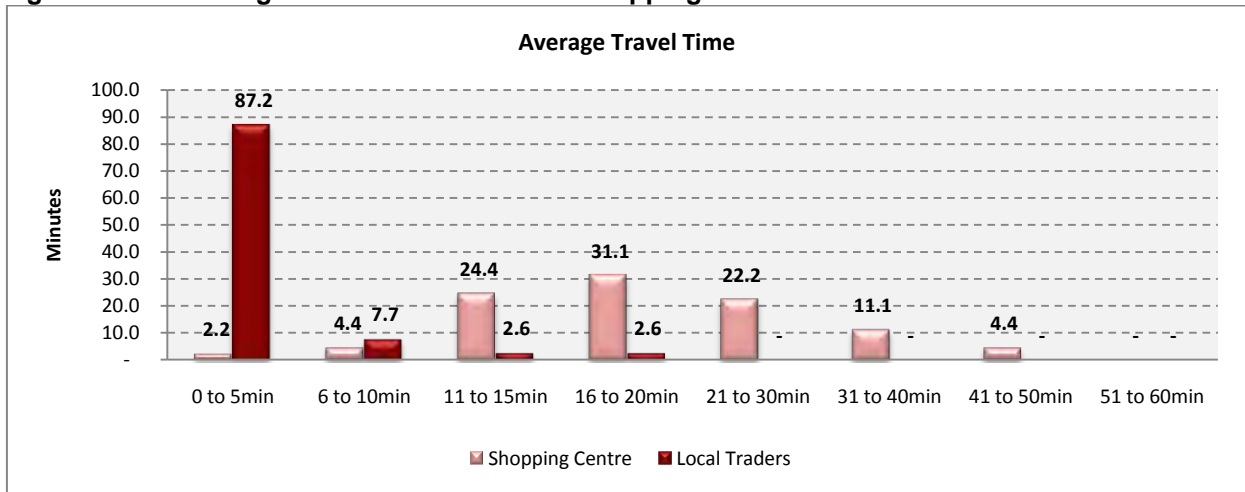
Source: *Demacon Household Surveys, 2009*

Figure 11.18: Preferred Time of the Day Conducting Shopping and Entertainment

Perferred Time of the Day
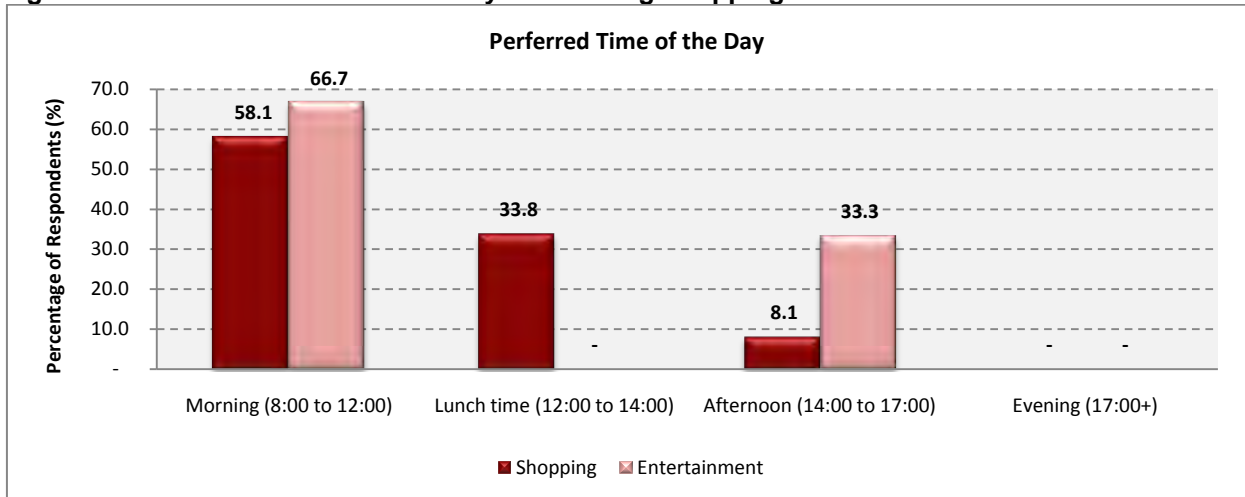
Source: *Demacon Household Surveys, 2009*

Figure 11.19: Average Dwell Time on Average Visit to these Centres

Average Dwell Time
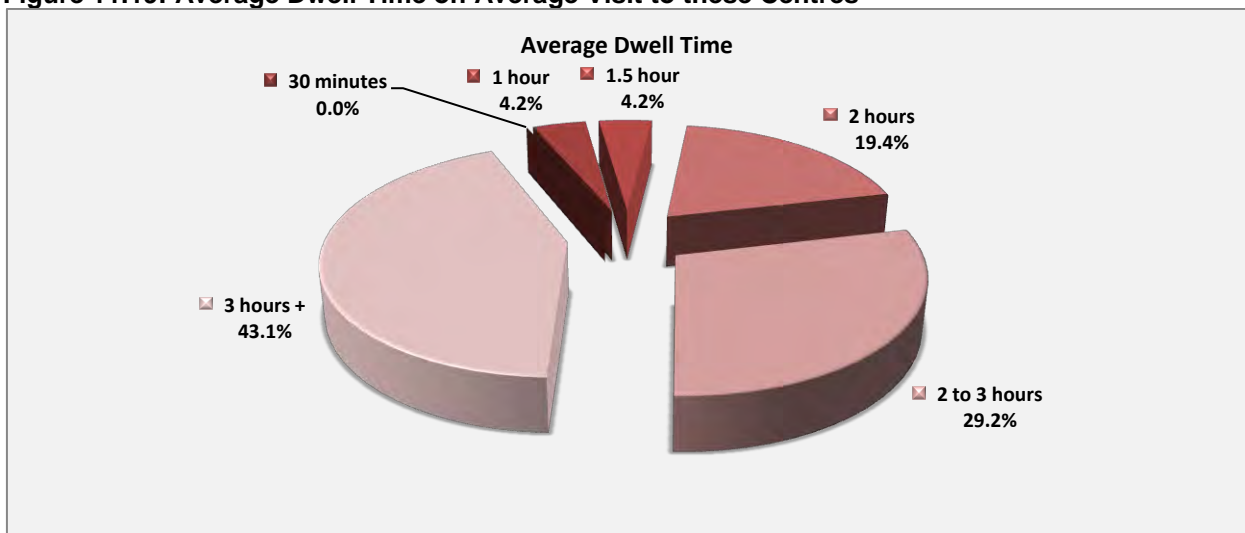
Source: *Demacon Household Surveys, 2009*

Figure 11.20: Brand Consciousness

Preference of Product Brands

Medium Priced
68.0%

Most Expensive
2.7%

Cheapest
29.3%
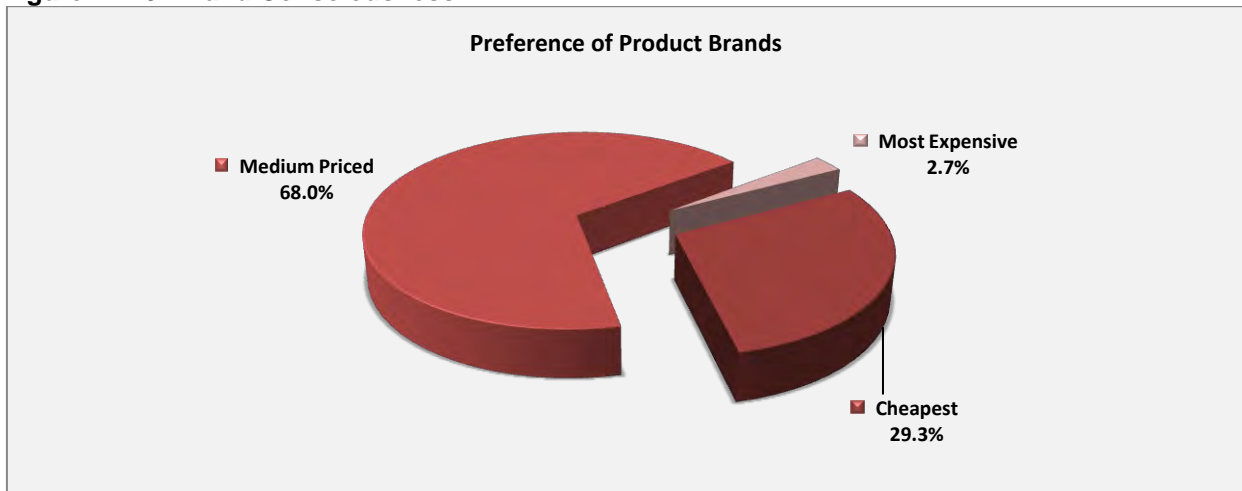
Source: Demacon Household Surveys, 2009

Figure 11.21: Method of Payment

Method of Payment

Cash
86.5%

Credit
6.8%

Debit
4.1%

Lay-bye
1.4%

Account
1.4%
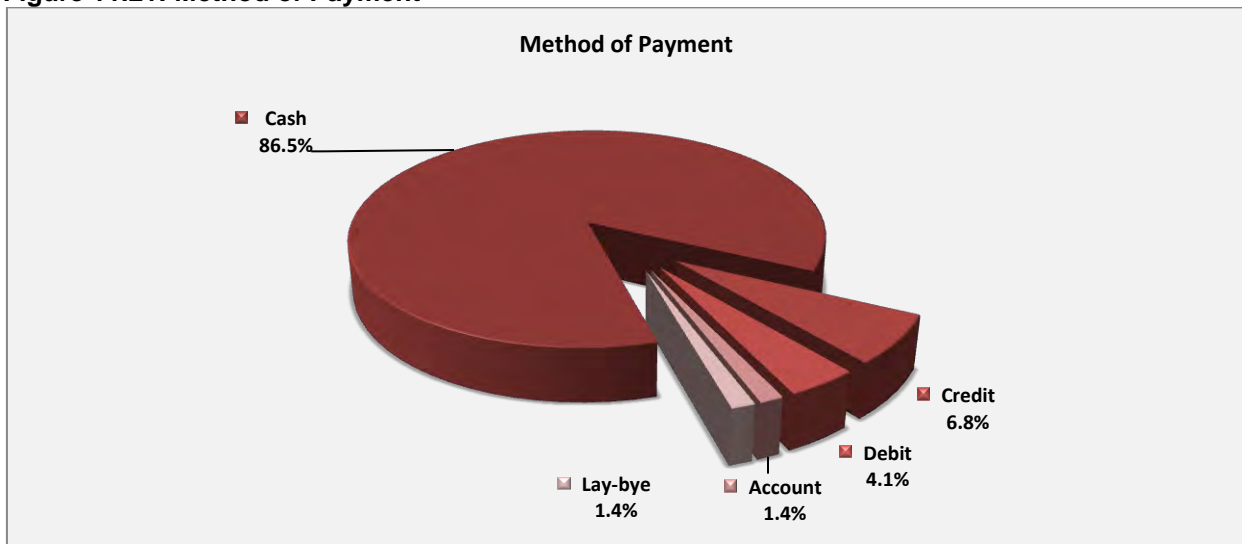
Source: Demacon Household Surveys, 2009

Findings: (Figures 11.18 to 11.21)

✓ The preferred time of the day to shop is in the morning between **8 and 12 o'clock (58.1%)**, followed by a segment indicating a preference for shopping during lunch time between 12 and 2 o'clock (33.8%).

✓ The preferred time of the day for entertainment at the centres is in the morning between **8 and 12 o'clock (66.7%),** followed by a segment indicating a preference for the afternoon between 2 and 5 o'clock (33.3%).

✓ The average dwell time per visit to these centres is **more than three hours in the majority of cases(43.1%)**, followed by relatively large segment indicating dwell times of between two and three hours (48.6%).

✓ Respondents also showed a strong preference for **medium priced brands**, followed by a medium sized segment reflecting a strong preference for the cheapest brands.

✓ The dominant method of payment includes cash, followed by credit, debit, account and lay-bye.

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11.4.3 LOCAL SUPPORT

Subsequent paragraphs deal with the overall level of satisfaction with shopping facilities within the NkowaNkowa area. They look at on commodities available and not available locally and the types of products purchased from informal traders and spaza stores.

Figure 11.22: Overall Level of Satisfaction with Shopping Facilities within NkowaNkowa Area

Source: Demacon Household Surveys, 2009

Figure 11.23: Commodities Predominantly Purchased Within NkowaNkowa
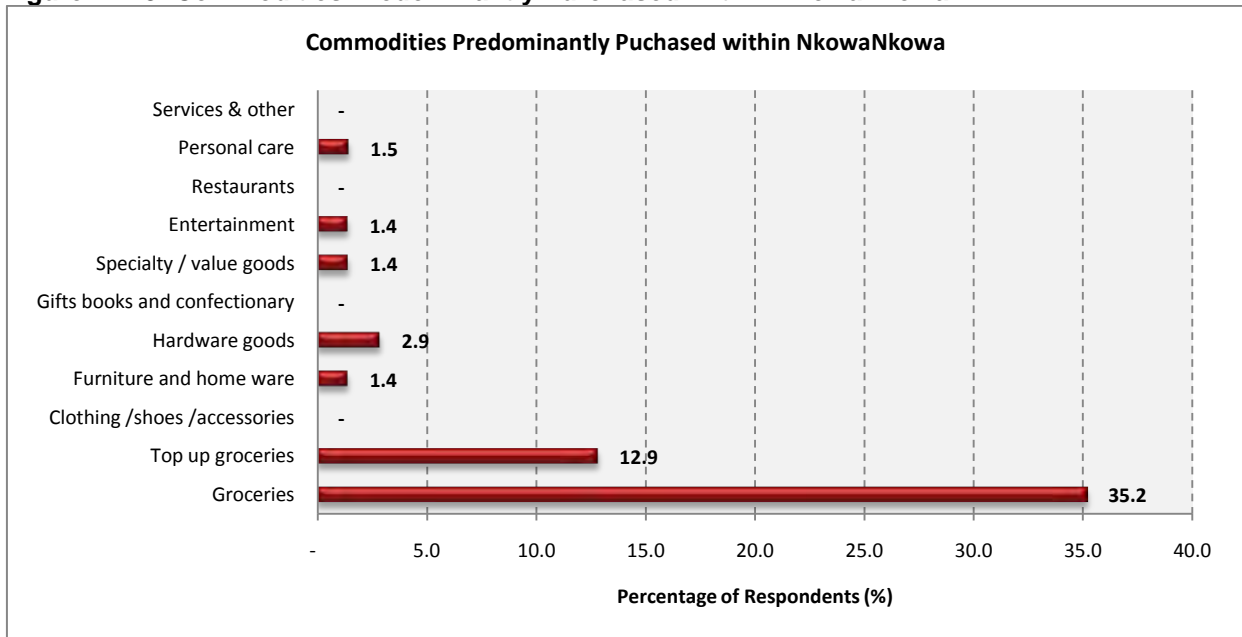
Source: Demacon Household Surveys, 2009

Findings: (Figures 11.22 to 11.24)

✓ The largest segment of respondents indicated that they are **not satisfied with the retail facilities within NkowaNkowa – 58.0%,** a medium sized segment indicated that it is acceptable – 22.6% and a mere 19.3% indicated that they are satisfied with the retail facilities.

✓ Respondents indicated that the following commodities are mostly purchased within NkowaNkowa – Groceries and top-up groceries, and to a lesser extent hardware goods, personal care, furniture, speciality goods and entertainment.

✓ In terms of commodities not available locally, the following stood out: services, top-up groceries, restaurants, clothing and shoes, entertainment, gifts, books and confectionary, speciality and value goods.

Figure 11.24: Types of Commodities Not Available in NkowaNkowa
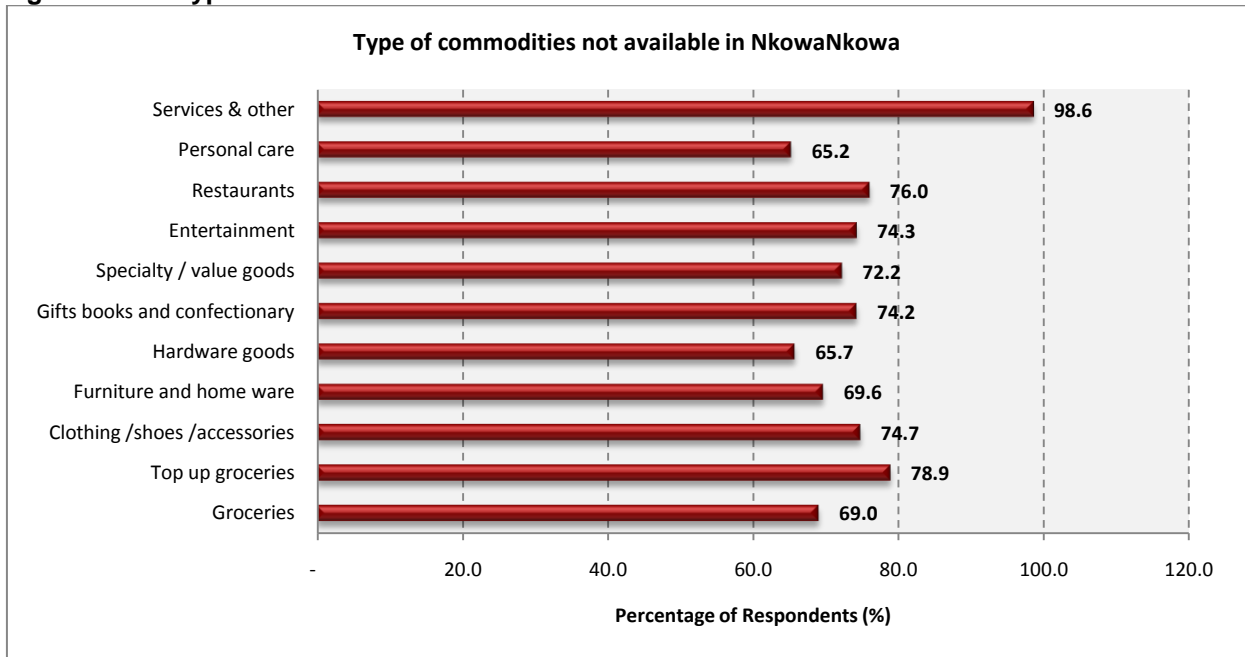
Source: Demacon Household Surveys, 2009

Figure 11.25: Products and Services in Greatest Demand That Cannot be Obtained Locally
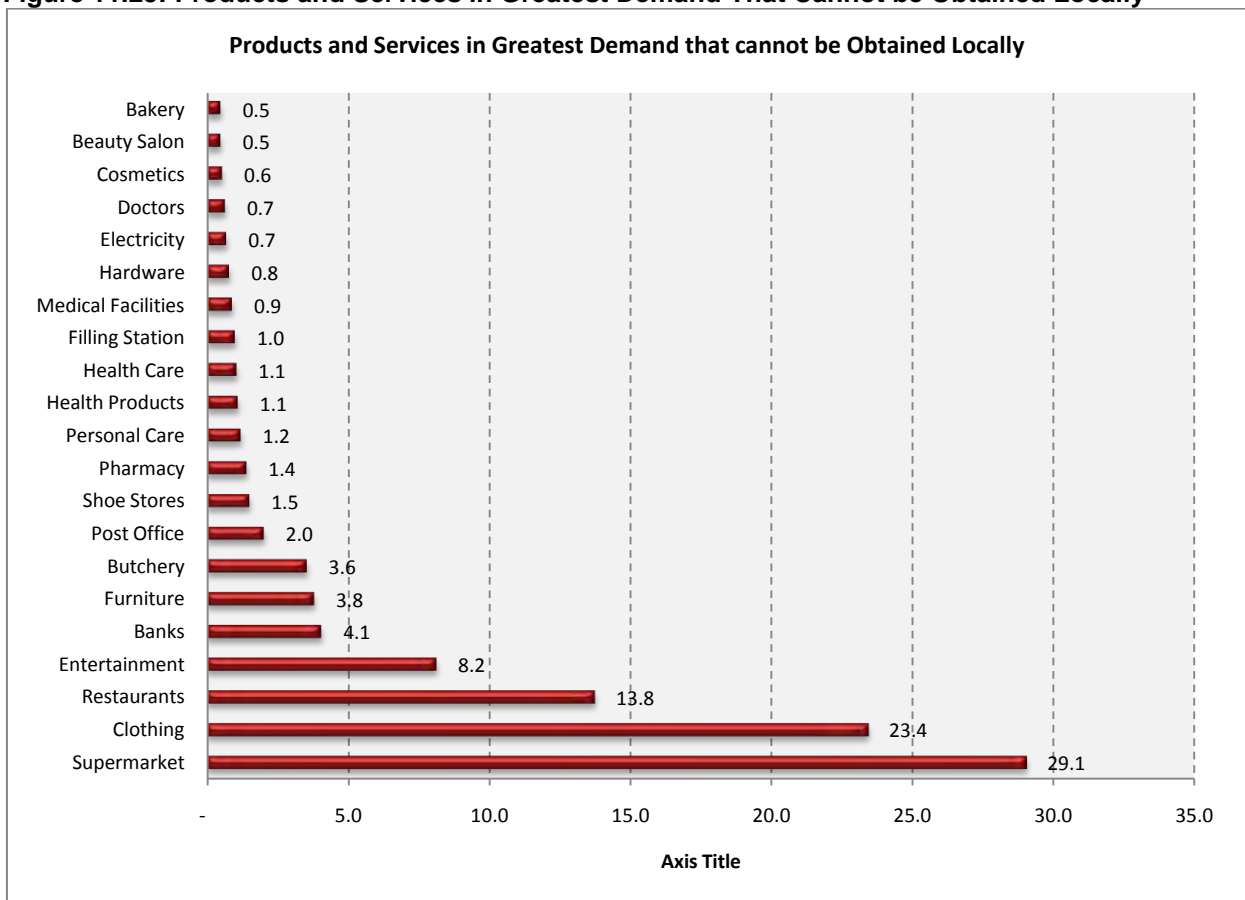
Source: Demacon Household Surveys, 2009

Findings: (Figures 11.25 to 11.26)

✓ In terms of the products and services in greatest demand that cannot be obtained locally supermarkets, clothing stores, restaurants, entertainment, banks, furniture stores and butcheries ranked the highest.

✓ In terms of the types of products purchased from local traders and spaza shops it was found that bread, milk, cool drinks and cigarettes represent the top trade articles. These are followed by airtime, top-up groceries, cooking oil, eggs, maize meal, salt, snacks, candles, meat, newspaper and vegetables.

Figure 11.26: Main Type of Products Purchased from Local Traders and Spaza Shops

Products Purchased from Local Traders and Spaza Shops

Product	Percentage
Vegetables	0.6
News Paper	0.7
Meat	1.0
Candles	1.0
Snacks	1.2
Salt	1.4
Maize Meal	1.5
Eggs	1.8
Cooking Oil	1.8
Top up Groceries	2.4
Airtime	4.2
Cigarettes	7.2
Cooldrinks	18.6
Milk	23.3
Bread	33.5

Percentage of Respondents (%)
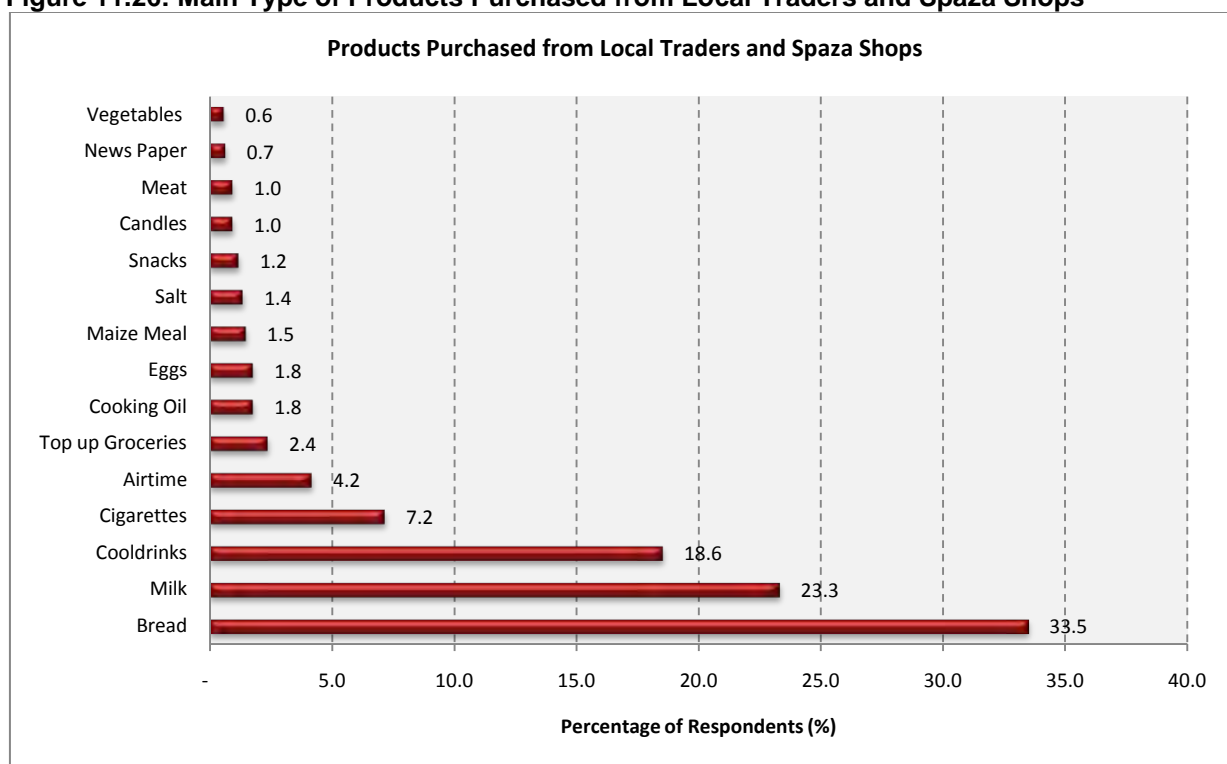
Source: Demacon Household Surveys, 2009

11.4.4 PERCEIVED DEMAND

Subsequent paragraphs show the findings regarding the perceived demand for a formal retail facility in the area, potential support, preferred shops and services, the nature thereof, representation of local businesses, anticipated impact on current consumer behaviour and the incorporation of informal trade facilities.

Findings: (Figures 11.27 to 11.30)

✓ There is a **definite perceived demand** for a formal retail centre in NkowaNkowa – **93.5%**
✓ Strong potential **support** is evident for a new retail centre – **92.2%**
✓ In terms of preferred shops the following ranked top: supermarket, clothing store, butchery, shoe store, accessory store, furniture, pharmacy, home decor, hardware and restaurants.
✓ In terms of preferred services the following ranked top: doctors, banks, optometrist and hairdresser.
✓ The largest segment of respondents would prefer an **enclosed mall – 42.9%,** nearly even segments, however, would, prefer a combination of open and enclosed malls (30.25) or just an open mall (27.0%).

Figure 11.27: Perceived Need for Formal Retail Centre in NkowaNkowa

Perceived demand for retail centre in NkowaNkowa

Yes
93.5%

No
6.5%
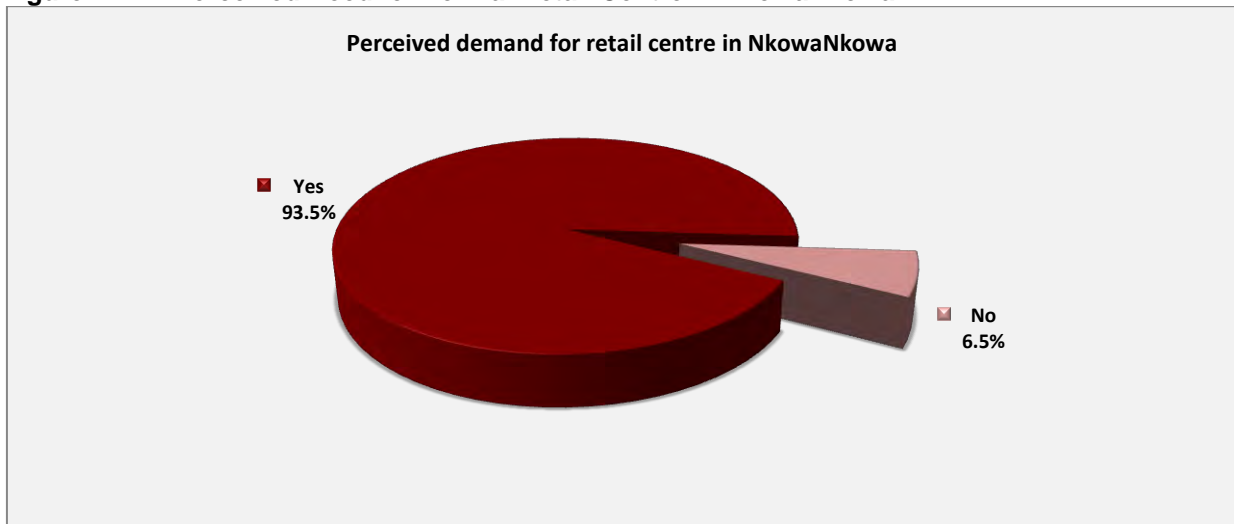
Source: Demacon Household Surveys, 2009

Figure 11.28: Potential Support for New Retail Centre

Potential support towards a new centre

Yes
92.2%

No
7.8%
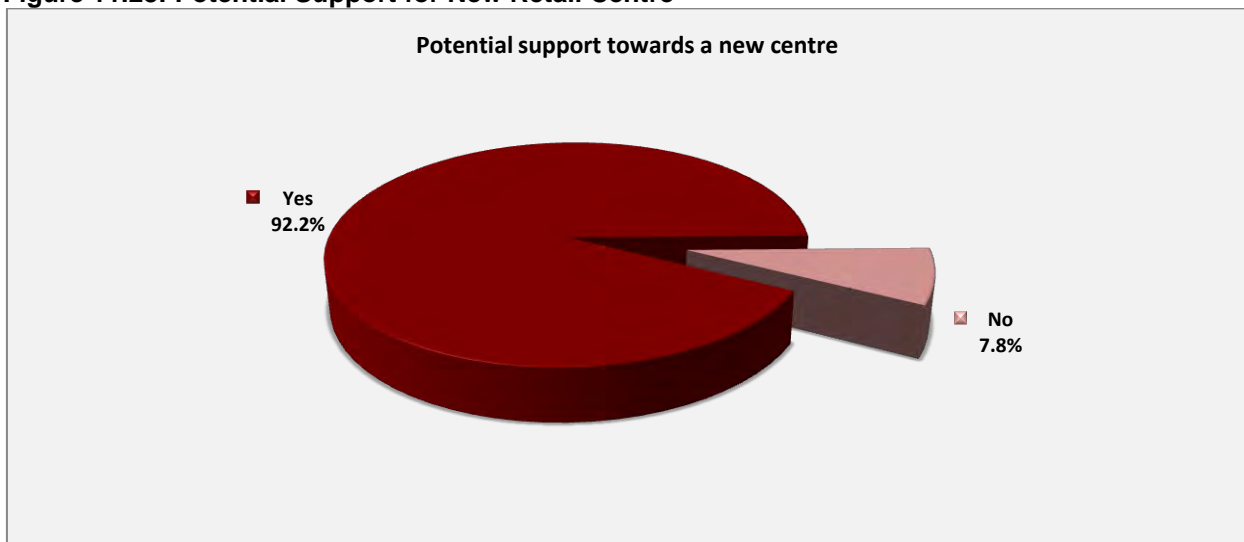
Source: Demacon Household Surveys, 2009

Figure 11.29: Preferred Nature of Shopping Centre

Preferred Nature of Centre

Combination of the Two
30.2%

Open Mall
27.0%

Enclosed Mall
42.9%
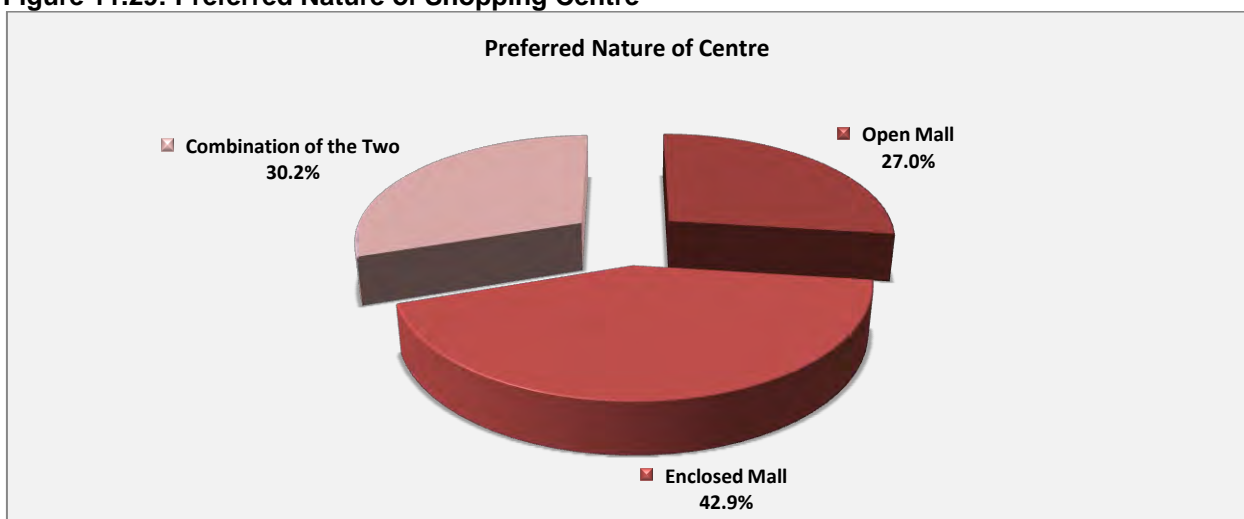
Source: Demacon Household Surveys, 2009

Figure 11.30: Preferred Shops and Services

Preferred Shops and Services

Shop/Service	Percentage
Photo-lab	50.6
Estate Agent	53.2
Laundromats	59.7
Video Store	64.9
Dentist	66.2
Hairdressers	67.5
Optometrist	67.5
Banks	74.0
Doctors	74.0
Restaurants/ take aways	33.8
Automotive and / or Fitment Centres	39.0
Pet store	40.3
Florist	51.9
Liquor store	53.2
Hobby Store	68.8
Specialty stores	68.8
Restaurant /TA	80.5
Hardware	80.5
Home Décor	80.5
Book/gift store	81.8
Pharmacy	81.8
Furniture Store	83.1
Accessory store	83.1
Shoe store	87.0
Butchery	87.0
Clothing store	92.2
Supermarket	92.2

Percentage of Respondents (%)

Source: Demacon Household Surveys, 2009

Major Tenants That Will Determine Success

• **Shoprite**	• Clothing	• Game
• **Pick n Pay**	• Discom	• Mac Donalds
• **Mr Price**	• Fruit & Veg	• Miladys
• **Jet**	• Boxer Cash & Carry	• Nandos
• **Spar**	• Butchery	• Ok
• **Edgars**	• Identity	• Restaurant
• Ackermans	• Pep	• Russels
• Checkers	• Cinemas	• Sports Scene
• KFC	• Debonairs	• Wimpy
• Woolworths	• Fashion World	
• Dischem	• Fresh Food	
• Truworths	• Furniture	

Figure 11.31: Preferred Representation of Local Businesses

Representation of Local Businesses

- Moderate (5% to 25% of floor space) **42.3%**
- Low – less than 5% of floor space **51.9%**
- High (more than 25% of centre floor space) **5.8%**
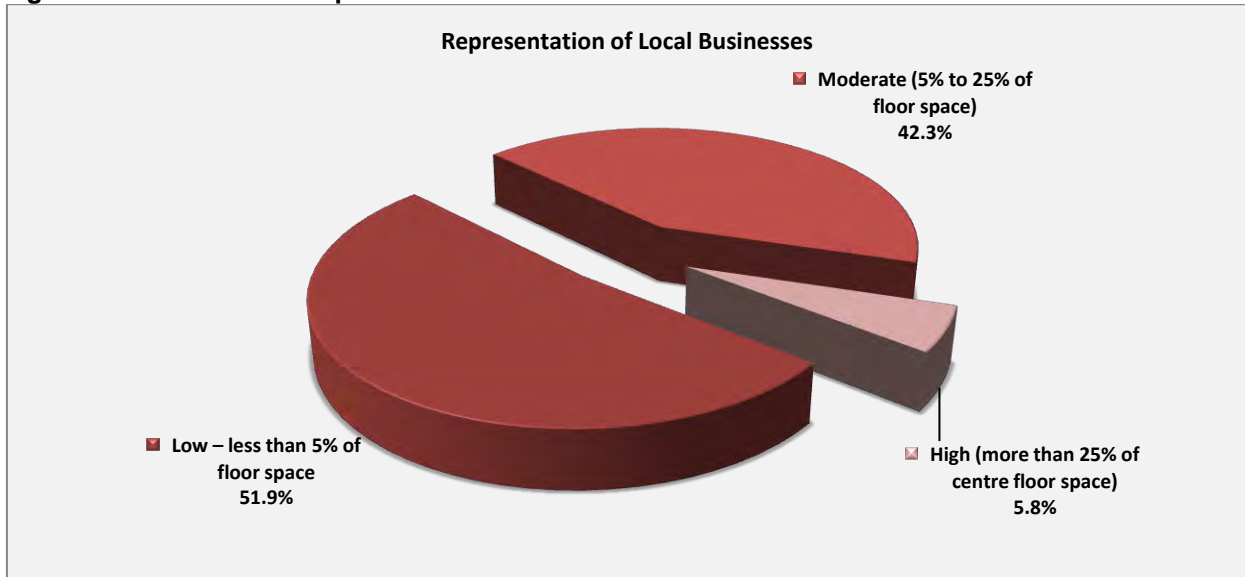
Source: Demacon Household Surveys, 2009

Figure 11.32: Anticipated Impact on Current Consumer Behaviour

Anticipated impact on current consumer behaviour

- My shopping patterns will remain unaffected **3.0%**
- I will never have to shop elsewhere **6.0%**
- I will visit the area more for shopping purposes **37.3%**
- I will shop less frequently outside my area **52.2%**
- I will shop less frequently at my previously preferred shop **1.5%**
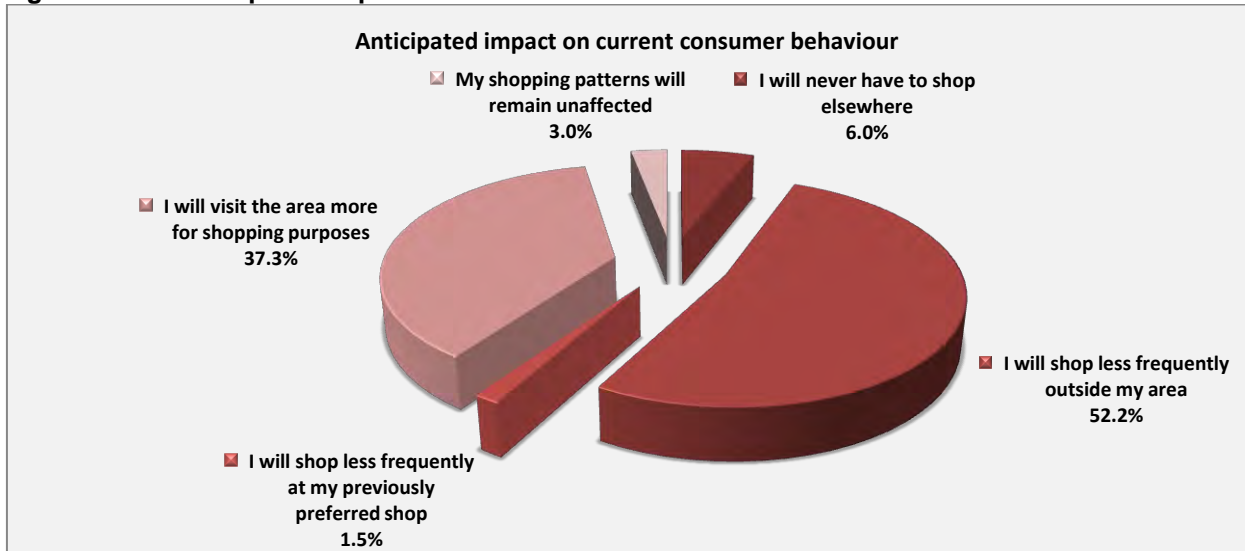
Source: Demacon Household Surveys, 2009

Figure 11.33: Brand Consciousness

Anticipated impact on current consumer behaviour

- Medium **73.2%**
- High **12.7%**
- Low **14.1%**

Source: Demacon Household Surveys, 2009

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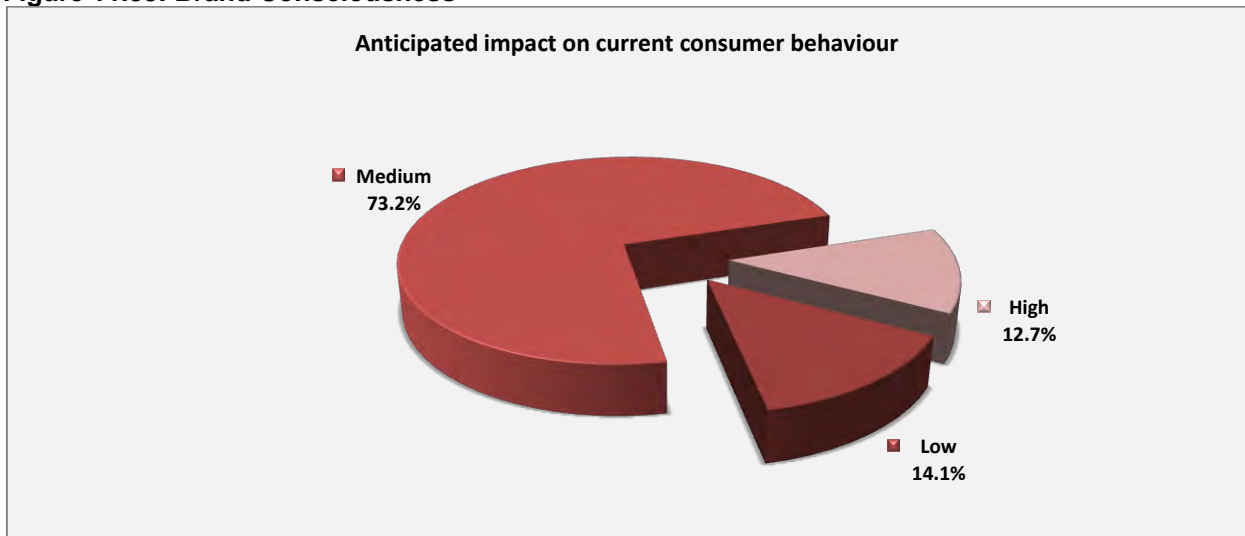
Figure 11.34: Perceived Need for Informal Trade Area as Part of Centre

Perceived Need for informal trade area as part of new centre

No
32.9%

Yes
67.1%
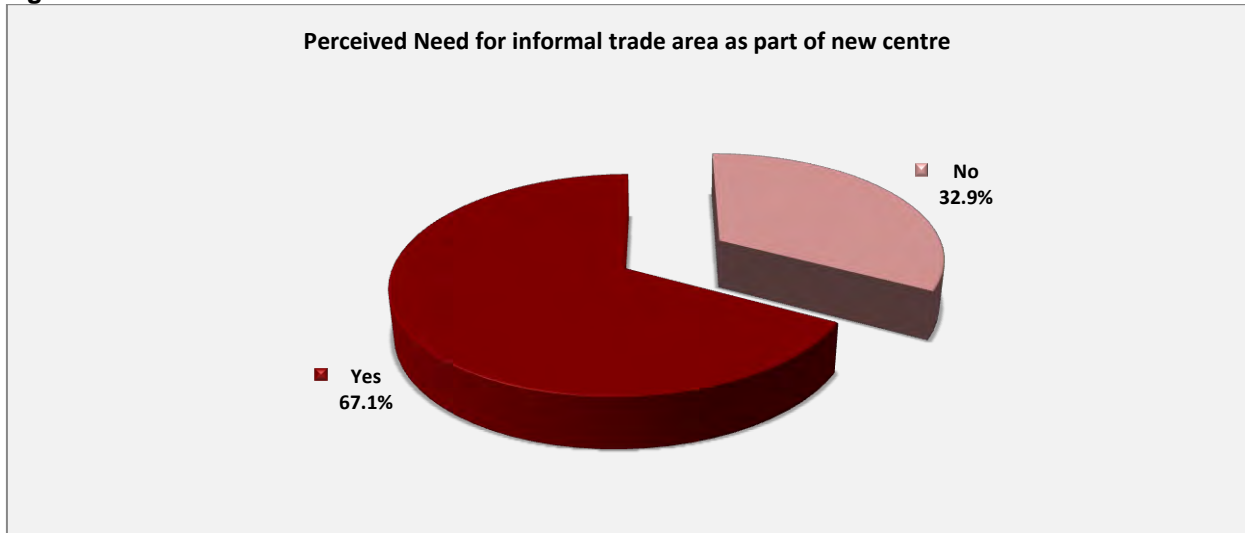
Source: Demacon Household Surveys, 2009

Figure 11.35: Size of Informal Trade Area as Part of Centre

Size of informal trade area

Medium (10 to 20 hawkers)
51.1%

Small (< 10 hawkers)
42.2%

Large (20 to 50 hawkers)
6.7%
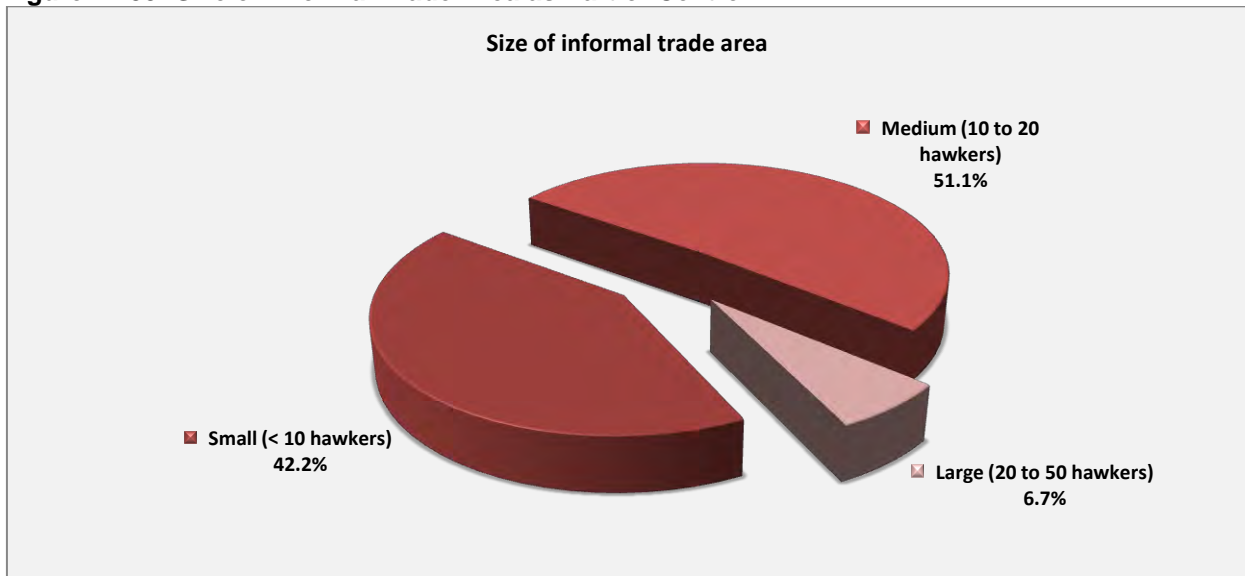
Source: Demacon Household Surveys, 2009

Figure 11.36: Manner of Inclusion as Part of Centre

How should it be accommodated

Within the parking area of the centre
35.6%

Accommodated on the perimeter of the centre
31.1%

As part of the retail centre
33.3%

Source: Demacon Household Surveys, 2009

Findings: (Figures 8.30 to 8.36)

✓ Tenants identified as critical for the success of the centre include Shoprite, Pick 'n Pay, Mr Price, Jet, Spar, Edgars and to a lesser extent, the remainder listed above.

✓ There is a strong preference for a low representation of local businesses in the centre – 51.9% of respondents, followed by 42.3% indicating a preference towards moderate inclusion of local businesses as part of the centre (5% to 25% of floor space).

✓ Overall, it is anticipated that the centre would have a **positive impact on current consumer behaviour – 52.2%** indicated that local residents would shop less frequently outside their area, 37.3% indicated that they would visit the area more for shopping purposes, 6.0% indicated that they would never have to shop elsewhere. Only 3.0% indicated that their shopping patterns would remain unaffected. This reflects a **high degree of anticipated consumer behaviour elasticity**.

✓ The majority of respondents indicated that they are **moderately brand conscious – 73.2%.**

✓ The majority of respondents indicated a perceived need for an **informal trade area** as part of the retail centre – **67.1%.**

✓ The majority of respondents also indicated that they would prefer a small to medium sized facility (less than 20 hawkers) – 93.3%.

✓ There is also no dominant preference as to how informal trade should be included – 35.6% indicated that it should be located in parking area, 33.3% indicated that it should be developed as part of the centre and 31.1% indicated that it should be accommodated on the perimeter of the centre.

11.4.5 OVERALL ANTICIPATED IMPACT OF A NEW FORMAL RETAIL CENTRE

Respondents also indicated the anticipated impact that a new formal retail centre would have on their local community and economy.

Figure 11.37: Anticipated Impact of New Centre
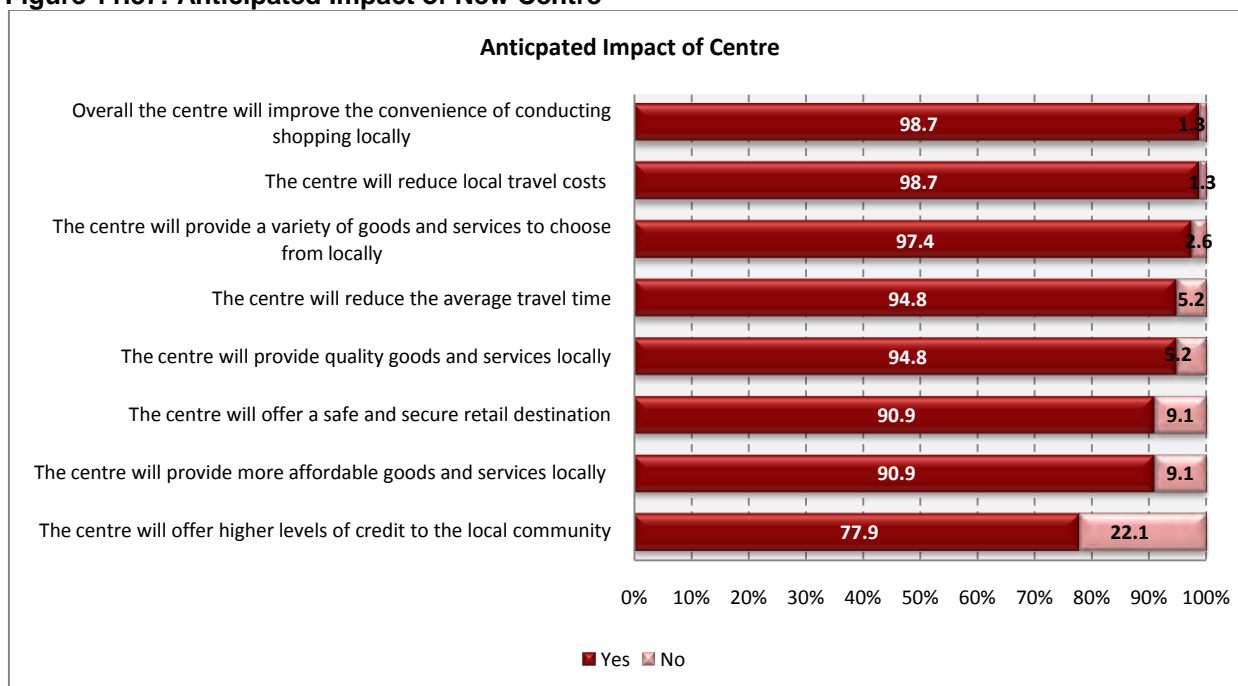
Source: Demacon Household Surveys, 2009

Findings: (Figure 11.37)

Overall, it is evident that a new retail centre would have a positive impact on the local community, with emphasis on the fact that it will improve the convenience of conducting shopping locally, it will reduce travel costs, will provide a variety of goods and services to choose from locally, will reduce average travel time, and it will provide quality goods and services locally.

11.4.6 LIVING STANDARD AND AVERAGE MONTHLY INCOME

Respondents indicated changes to their living standard over the past five to 10 years and indicated their average monthly household income. They also indicated the proportion of their incomes originating from remittances and social grants.

These factors provide important base information regarding household income, sources of income and changes affecting the overall level of disposable income. Changes in these aspects also have an impact on household retail expenditure.

Figure 11.38: Changes in Living Standards Over Past 5 to 10 yrs
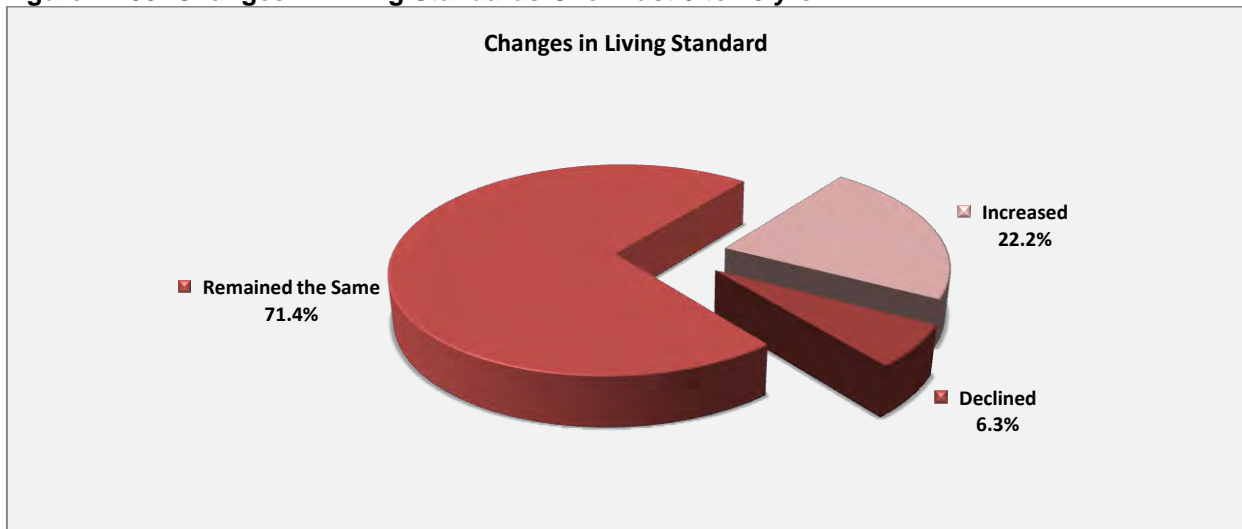
Source: Demacon Household Surveys, 2009

Figure 11.39: Monthly Household Income Before Deductions
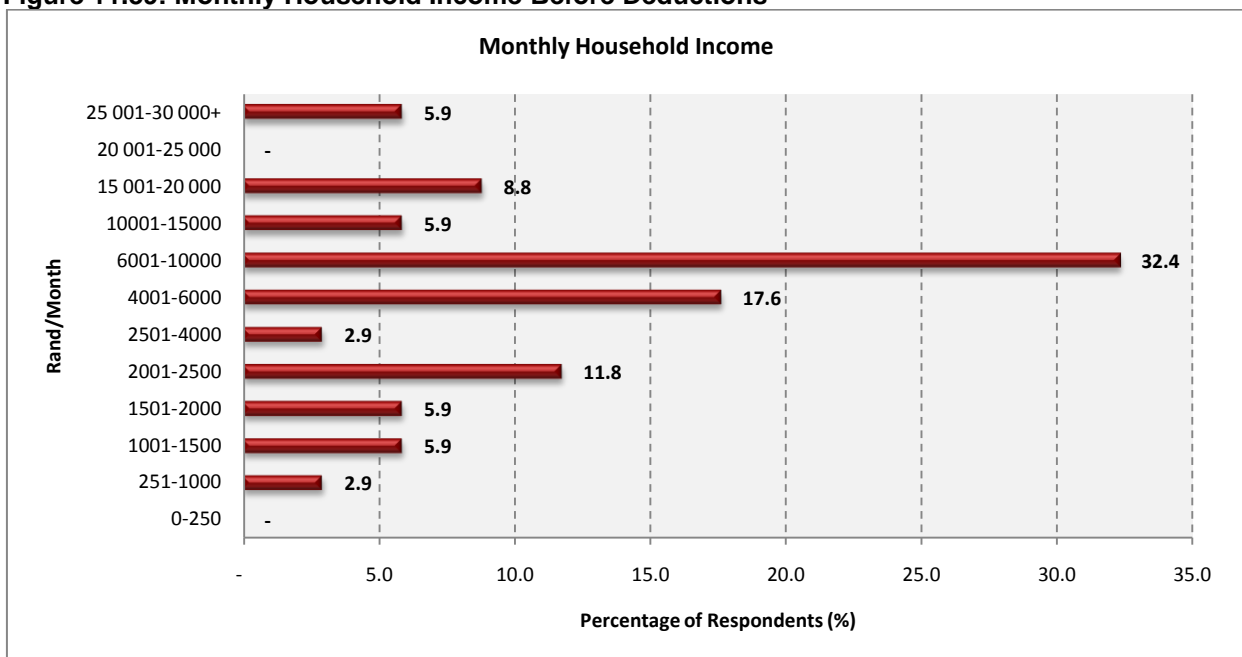
Source: Demacon Household Surveys, 2009

Findings: (Figures 11.38 to 11.39)

✓ The majority of residents indicated that their **living standards** have remained the **same** over the past five to 10 years – **71.4%.** A smaller segment of 22.2% indicated that their living standards improved, mostly as a result of new houses, employment opportunities, upgrading of the residential area and improved services. A smaller segment of 6.3% indicated a decline in living standards, predominantly due to increased living costs.

✓ Monthly household income varies, with a large segment earning incomes between R4 000 and R10 000 a month – 50.0%. 29.4% reflected monthly incomes below R4 000 and 20.6% reflected monthly incomes above R10 000.

✓ The weighted average monthly income amounts to R7 482.1. Note that this is much higher than the incomes reflected in the socio-economic profile – R3 400 for all LSMs and R7 600 for LSMs 4 to 10+.

✓ 33.8% indicated that they obtain a certain percentage of their income from remittances – 1.3% obtain 90% of their income and 32.5% obtain 100% of their income from remittances.

✓ A mere 5.3% of responding households also indicated that they obtain a certain percentage of their income from the social grant system – 3.9% obtain between 10% and 20% of their income from the social grant system and a mere 1.3% indicated that they obtain 100% of their income from the social grant system. However, no physical amounts were indicated in the survey.

11.5   SYNTHESIS

This chapter investigated a rural area characterised by no formal retail centres within a 10km radius. Table 11.3 provides a summary of the key findings of this chapter.

Table 11.3: Summary of Findings

Elements	Variables
Population	✓ 124 819
Households	✓ 40 219
Household size	✓ 4.2
Population density	✓ 381.9hh/km^2
Average household income	✓ All LSMs: R40 723.8/annum ✓ LSM 4 to 10+: R90 723.5/annum
LSM Status	✓ 1 to 3: 67.1% ✓ 4 to 10+: 32.9%
Household Survey Findings	
Household size	✓ 4 members+ - 69.8%
Number of breadwinners	✓ 2 per hh – 54.7%, 1 per hh – 35.9%
Family member responsible for retail purchases	✓ Mother – 54.1%, father – 32.1%
Dominant mode of transport to centres	✓ Public Transport – 50.7%, private vehicles – 49.3%
Distribution of retail purchases	✓ NkowaNkowa – 60.2%, outside – 40.9%
Local trader support- % of monthly shopping	✓ 6% to 10% - 46.7%, 16% to 20% - 25.0% ✓ Average weighted support – 15.5%
Monthly retail expenditure at retail centres	✓ R751 to R2000 – 66.6% ✓ Average weighted amount – R1 650.9
Monthly retail expenditure at traders	✓ R50 to R150 – 66.7% ✓ Average weighted amount – R111.9
Favourite retail centres	✓ Tzaneen Crossing – 32.5% ✓ Tzaneng Mall – 31.2% ✓ Maake Plaza – 20.8% ✓ Checkers Centre – 9.1%
Average distance to retail centres	✓ 16 to 20km – 50.9%, 21 to 40km – 37.7%
Transport cost to retail centres	✓ R11 to R15 – 84.4% ✓ Average weighted amount – R12.2

Elements	Variables
Transport cost to traders	✓ Less R10 – 92.1% ✓ Average weighted amount – R5.7
Average travel time to retail centres	✓ 16 to 20 minutes – 31.1%, more than 20 minutes – 37.7% ✓ Average weighted time – 20.8 minutes
Average travel time to traders	✓ Less than 5 minutes – 87.2% ✓ Average weighted time – 3.6 minutes
Preferred time of the day: hopping Entertainment	 ✓ Morning – 58.1%, lunch time – 33.8% ✓ Morning – 66.7%, afternoon – 33.3%
Average dwell time	✓ 3 hours+ -43.1%, 2 to 3 hours – 48.6%
Dominant method of payment	✓ Cash – 86.5%
Level of satisfaction with retail in NkowaNkowa	✓ Not satisfied – 58.0%, acceptable – 22.6%
Commodities not available locally	✓ Services, top-up groceries, restaurants, clothing and shoes, entertainment, gifts, books and confectionary, speciality goods, furniture stores
Type of products purchased from traders & spaza shops	✓ Bread, milk, cool drinks, cigarettes, airtime, top-up groceries, cooking oil, eggs, maize, snacks, candles, meat, newspaper and vegetables
Definite perceived demand for new centre	✓ 96.5%
Strong potential support	✓ 92.2%
Top preferred shops and services	✓ Supermarket, clothing stores, butchery, shoe stores, accessory stores, furniture stores, pharmacies, home decor, hardware, restaurants, banks, doctors, optometrists and hairdressers
Preferred nature of centre	✓ Enclosed mall – 42.9%, combination of closed and open spaces – 30.2%
Top tenants perceived as important for success	✓ Shoprite, Pick 'n Pay, Mr Price, jet, Spar and Edgars
Preferred representation of local businesses	✓ Low representation – 51.9%, moderate representation – 42.3%
Anticipated impact of new centre on current consumer behaviour	✓ Positive – 97.0% - reflecting high level of consumers elasticity
Brand consciousness	✓ Moderate – 73.2% - predominantly prefer medium priced products and services
Perceived need for informal trade area as part of centre	✓ 67.1%
Preferred size of informal trade area	✓ Small to medium sized – less than 20 hawkers – 93.3%
Location of informal trade area	✓ In parking area – 35.6%, part of the centre – 33.3%, on perimeter – 31.1%
Anticipated impact	✓ Very positive ✓ Improve the convenience of conducting shopping locally ✓ Reduce travel cost ✓ Provide a variety of goods and services to choose from locally ✓ Reduce average travel time ✓ Will provide quality goods and services locally
Changes in living standard	✓ Remained the same – 71.4% ✓ Improved – 22.2%
Average monthly household income	✓ R4 000 to R10 000 – 50.0% ✓ Less R4 000 – 29.4% ✓ Weighted average monthly Income – R7 482.1
Contribution from remittances	✓ 33.8%
Contribution from social grants	✓ 5.3%

Overall, the area is characterised by approximately 40 219 households distributed at low population densities within a rural area. The levels of education, levels of employment and occupation profiles reflect a lower to middle income consumer market.

The current consumer behaviour reflects a strong reliance on retail centres in the closest town. Although, respondents indicated that they conduct the majority of shopping locally – local trader support is reflected as low. Transport costs and times result in less frequent visits to formal retail centres. There is a definite perceived demand for a formal retail centre with emphasis on convenience goods and services. Overall, it is anticipated that a formal retail centre would have a positive impact locally.

In order to examine the impact that formal retail centres have on the local business environment, Chapter 12 is employed.

CHAPTER TWELVE: IMPACT ON LOCAL BUSINESSES AND INFORMAL TRADE

12.1 INTRODUCTION

The purpose of this chapter is to assess the impact of formal retail centre development on local businesses and informal traders. As part of the chapter a short discussion is provided on the contrasting views pertaining to the informal economy and its linkages with the formal economy.

The remainder of the chapter is centred around the findings of three case studies conducted in Soweto, Mabopane and Thulamahashe to examine the impact that a formal retail centre development had on the local business environment. Local business surveys were conducted with informal traders, spaza shops and local businesses within a 5km radius of Jabulani Mall, Central City and Thula Plaza during February and May 2010.

12.2 INFORMAL-FORMAL ECONOMIC LINKAGES

In contrast to typical dual economy models, the informal economy is quite diverse and has complex interactions with the formal sector. To begin with, there are conflicting views on the role of the informal activities in stimulating broader economic development (Devey, Skinner & Valodia 2003).

1. On the one hand, the informal sector is viewed as a dynamic sector with the ability to create jobs and actively contribute to economy-wide growth. Informal activities are viewed as 'small enterprises' which may eventually generate tax revenues through a gradual process of formalisation[97].
2. On the other hand, informal activities are viewed as low-productivity employment or as 'survivalist' strategies for poor households. From this perspective, the informal sector plays a passive role in development and acts as a temporary substitute for social protection during the formal sector-led growth process[98].

However, based on recent research in South Africa it is evident that there is room for both perspectives in the sense that the informal economy comprises a continuum of survivalist and enterprise activities. This more nuanced view of the role of informal activities highlights the complexity of designing policies that acount for differential impacts on formal and informal economies[99].

> *Distinction should be made between 'informal activities' and 'informal employment'.*
> *Informal employment generally refers to those who are employed by informal or unregistered firms – i.e. i producers and traders, for example. However, a movement has taken place towards a broader definition including workers informally employed in the formal economy, e.g. seasonal farm workers, day labourers etc. This broader view of informal employment highlights the close and complex linkages between formal and informal activities[100].*

In general, four types of informal activities are identified – refer to Table 12.1. While the typology is an abstraction from a more complex reality, classification of informal activities and employment has the advantage of providing a clear framework for understanding how

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[97] Source: R Davies & J. Thurlow. March 2009. Formal-Informal Linkages and Unemployment in South Africa. HSRC.
[98] Source: R Davies & J. Thurlow. March 2009. Formal-Informal Linkages and Unemployment in South Africa. HSRC
[99] Source: R Davies & J. Thurlow. March 2009. Formal-Informal Linkages and Unemployment in South Africa. HSRC
[100] Source: R Davies & J. Thurlow. March 2009. Formal-Informal Linkages and Unemployment in South Africa. HSRC

alternative policies may have differential effects on specific actors within the formal and informal economies. The typology identifies the various transmission channels linking formal and informal activities, such as product market prices, labour market wages and informal trader margins.

Table 12.1: Four Types of Informal Activities and Employment

Type	Description	Are distinct formal and informal goods produced?	Is there price competition between formal and informal goods?	Is there wage competition between formal and informal workers
Informal producers	Small enterprises producing goods and services that compete with formal sector firms, e.g. processed foods, textiles, clothing. Informal producers generate employment for other informal workers and compete in product markets based on a price at which they can supply their goods. Main linkage with formal sector is through purchasing of formal sector intermediates and through the selling of commodities under price competition to formal consumers.	Yes	Yes	No
Informal traders	Informal traders do not produce a product. 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. Advantage is the fact that they sell goods in smaller volumes or in closer proximity to final consumers.	No	No (fixed margin)	No
Informally employed in formal sector	'Informally employed' workers work in the formal sector on a somewhat 'casual' basis. In other words, they do not have contracts, are not unionised, and do not receive benefits. Examples include day labourers in the construction sector or seasonal agricultural workers working on commercial farms. These workers compete with formal sector workers through their wage rates.	No	No	Yes
Non-competitive informal activities	These types of workers are a subset of workers informally employed in the formal sector. For example, domestic workers might be considered 'casually' employed in the formal sector (despite recent regulations), but they do not face competition from formal sector workers (since no formal sector firms produce domestic services).	No	No (sold to formal sector)	No

Source: Davies & Thurlow, 2009

These formal-informal economic linkages are conceptually illustrated in Diagram 12.1. Against this background two case studies will be utilised in order to identify the impact that formal retail centre development have had on local businesses within two second economy areas.

Diagram 12.1: Formal-Informal Linkages
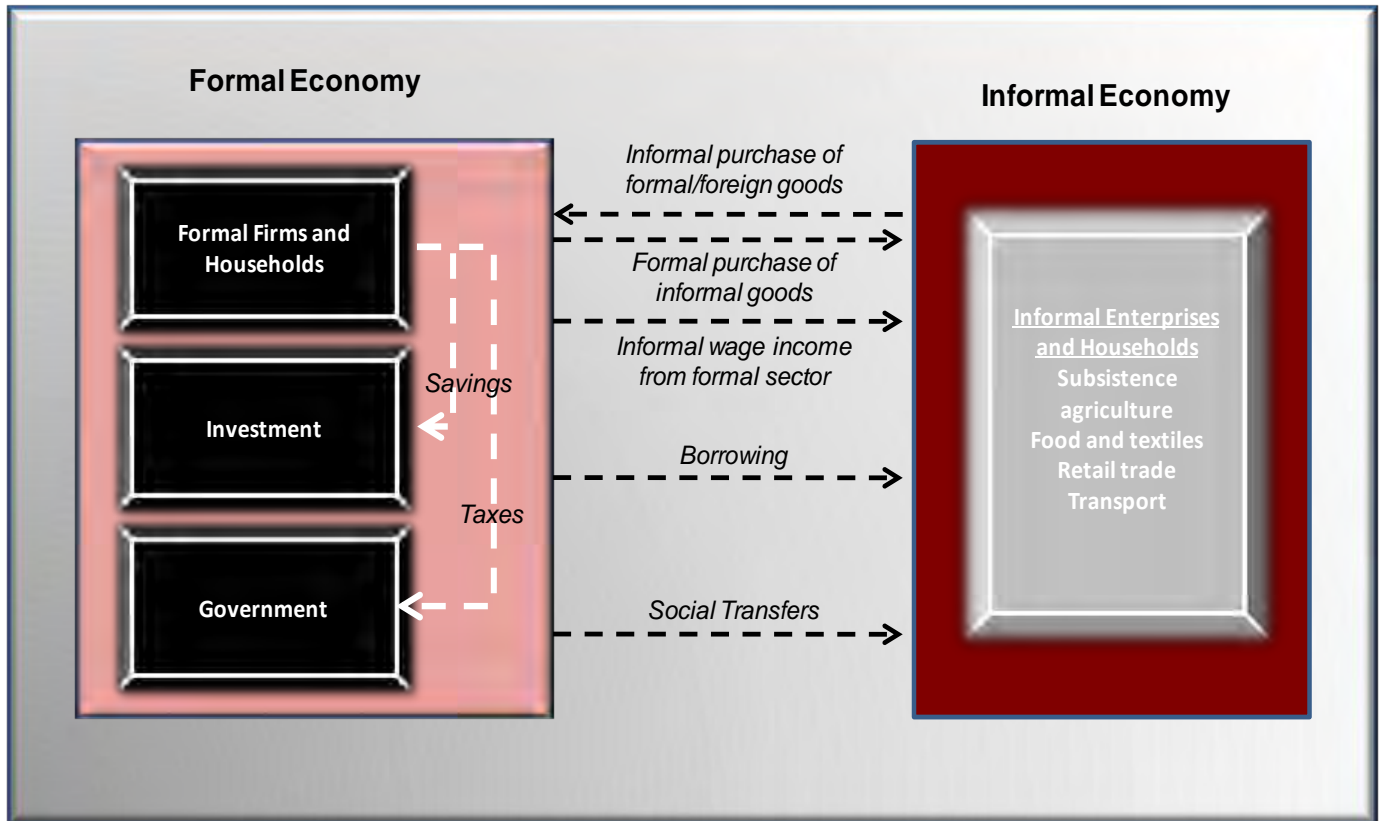
Source: Davies & Thurlow, 2009

12.3   JABULANI MALL: IMPACT ON LOCAL BUSINESS ENVIRONMENT

Subsequent paragraphs reflect the findings of the local business surveys conducted within Soweto, around Jabulani Mall. Surveys were conducted with informal traders, spaza shops and local businesses and retailers within 1km, 2km, 3km, 4k and 5km from Jabulani Mall – Refer to Map 12.1.

Findings are structured in terms of the following sections (reflected in terms of business located within 2km and between 2 and 5km from Jabulani Mall):

✓   Business classification;
✓   Current location and location requirements;
✓   Impact of formal retail centre on business;
✓   Business problems and required support;
✓   Business wwner and business information.

It should be noted that a large number of these questions pertain to perceptions and, as such, do not necessarily correlate with actual facts and values. The level of knowledge of the respondents pertaining to business history and records and the general business environment has an impact on the quality of answers provided within the chapter.

12.3.1 BUSINESS CLASSIFICATION

This section provides general information on the type of business, the industry the business is involved in and their main product or service.

Map 12.1: Jabulani Mall Business Survey Radiuses
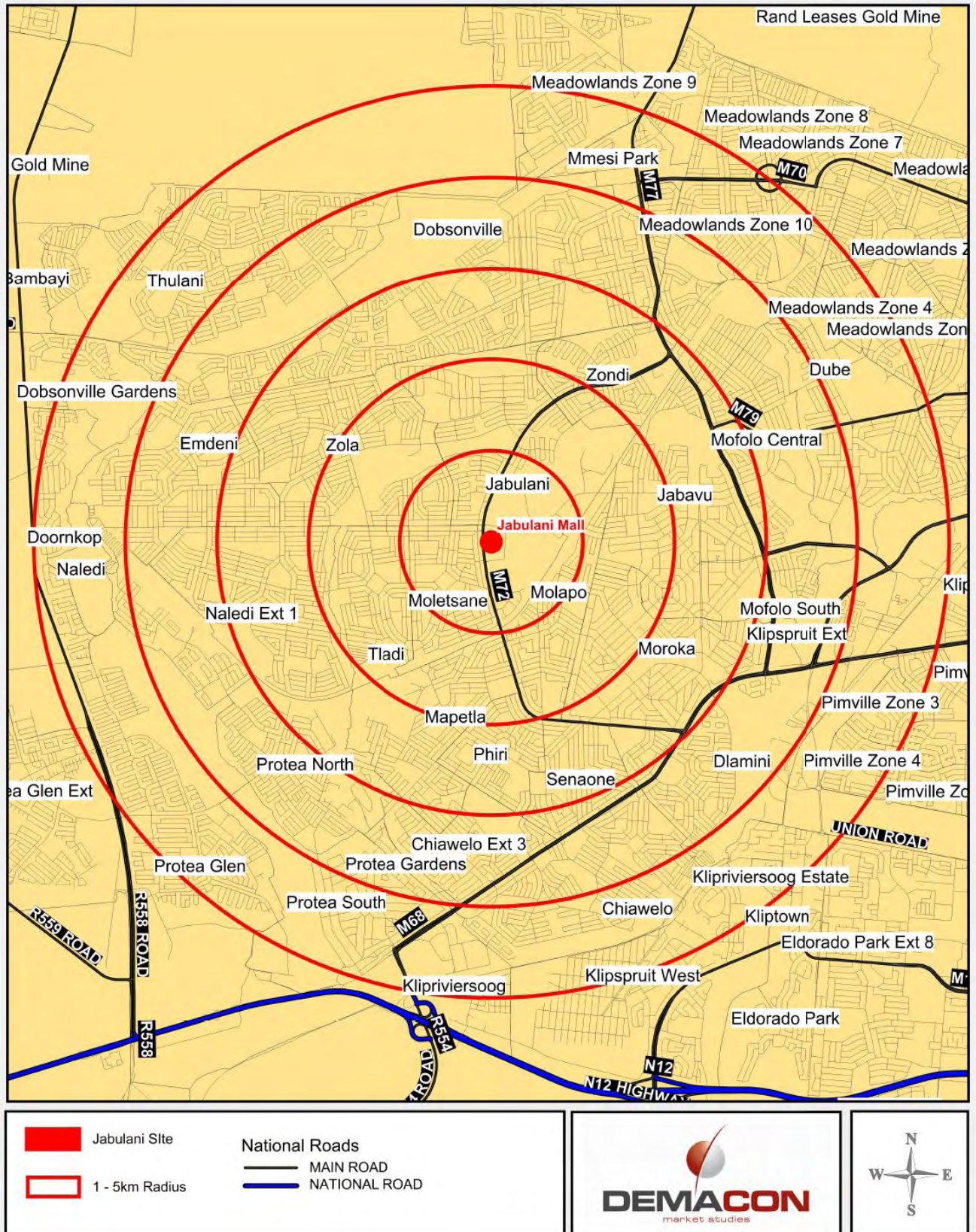
Figure 12.1: Type of Business
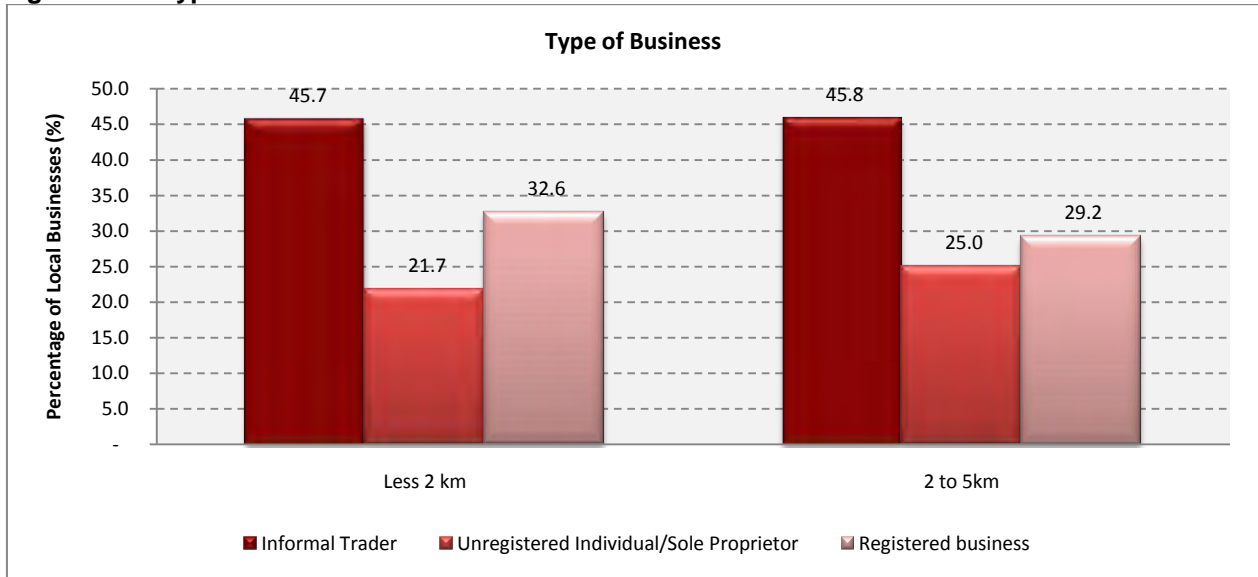
Source: Demacon Local Business Surveys, 2010

Figure 12.2: Industry Involved In
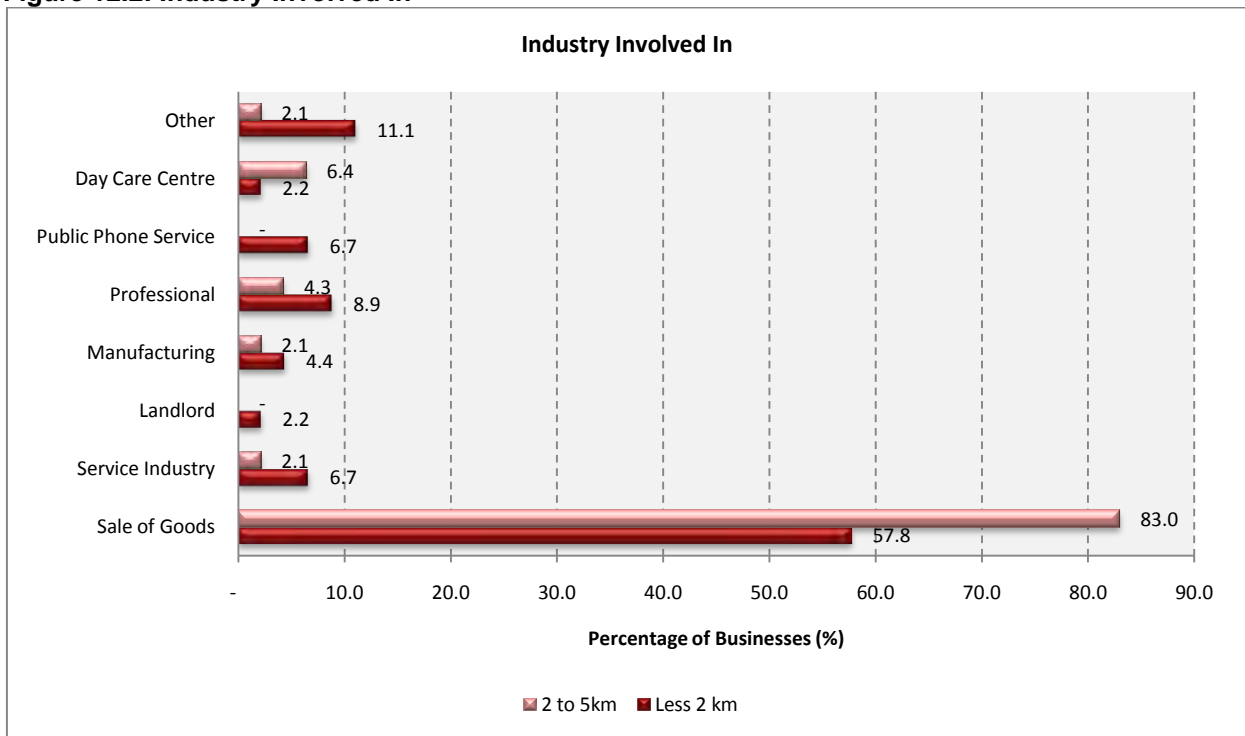
Source: Demacon Local Business Surveys, 2010

Table 12.2: Main Product and Services

	Less 2km	2 to 5km
1	**Fruit & Veg**	**Fruit & Veg**
2	**Groceries**	**Groceries**
3	**Food**	**Cigarettes**
4	Hair Salon	**Food**
5	Internet Café	Bread
6	Shoe Repair	Cold Drinks
7	Security Doors	Milk
8	Car Parts	Building Material
9	**Chips**	**Chips**
10	**Cigarettes**	Day Care

Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.1 to 12.2 and Table 12.2)

✓ The types of businesses surveyed include informal traders, registered and unregistered businesses.

✓ The industry they are involved in is largely related to the sale of goods for both segments. The less than 2km market segment also reflects a moderate representation of professional services, service industries, public phone services, manufacturing, landlords and day care centres. The 2 to 5km market segment also reflects a moderate representation of day care centres, professional services, service industries and manufacturing.

✓ The main products and services constituting the largest proportion of business income includefruit and vegetables, groceries, food, cigarettes, hair salon, internet cafe, bread, shoe repairs, cold drinks, security doors, milk, car parts, building material, chips and day care services.

12.3.2 CURRENT LOCATION AND LOCATION REQUIREMENTS

Subsequent paragraphs provide information on preferences regarding business location, reasons for current location, opinions in terms of the advantages of being located in proximity to, or within, formal retail centres and the ability to afford rentals within a formal centre.

Figure 12.3: From a Business Point of View Where do You Want to be Located?
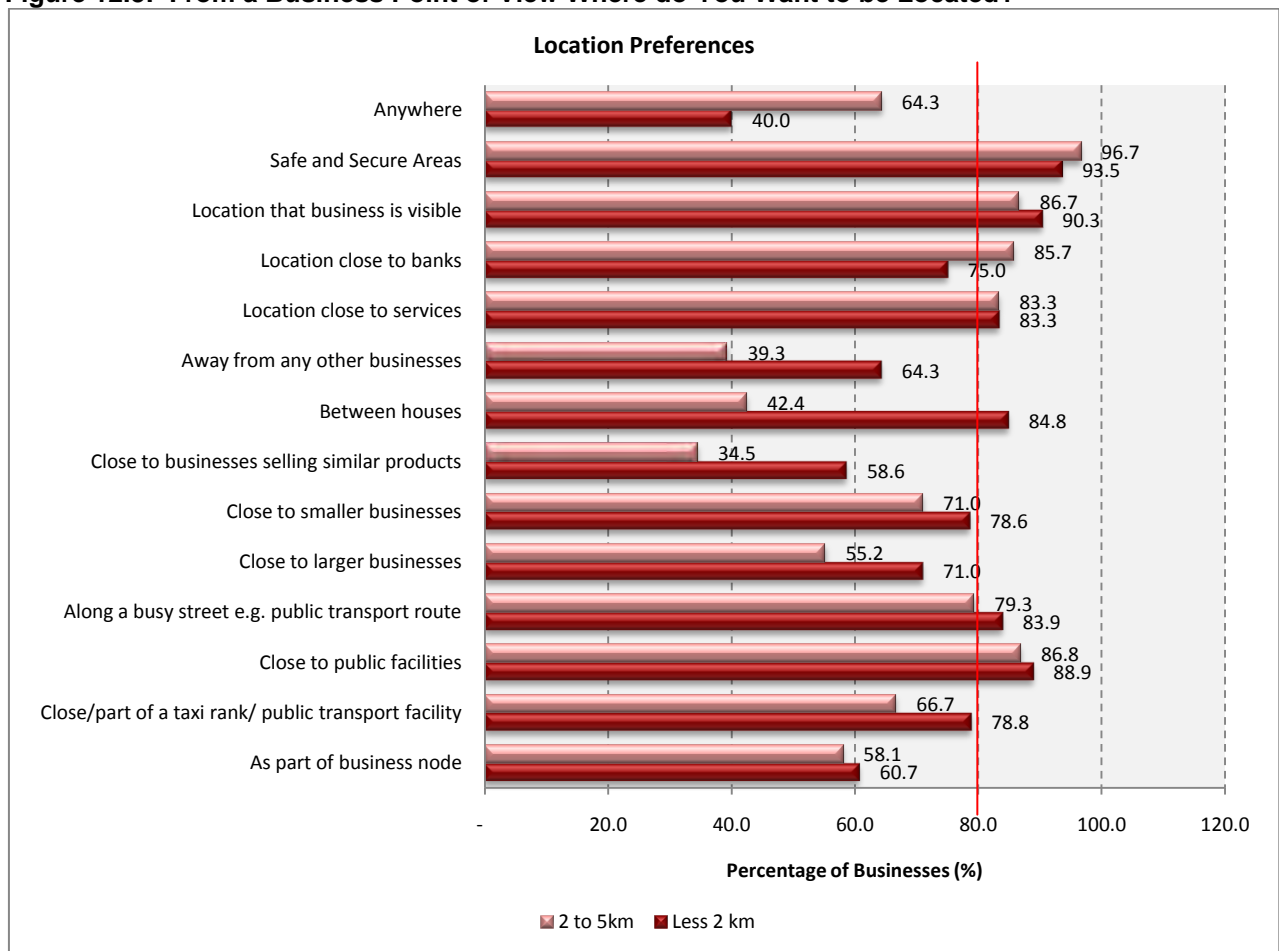
Source: Demacon Local Business Surveys, 2010

In terms of the dominant location preferences, it is evident that the following aspects ranked most highly: safety and security, visibility, proximity to public facilities, proximity to services, along a busy street (public transport route) and proximity to banks/financial institutions and to a lesser extent, being located between houses.

Figure 12.4: Reasons for Current Location

Reasons for your current location

Reason	2 to 5km	Less 2 km
Lower levels of competition	75.8	80.0
Safe and secure	87.9	86.7
More visible	66.7	86.7
Access to services	78.8	80.0
Low rentals	69.7	80.0
Business Premises/ trade facilities	54.5	80.0
Close to Taxi Rank	51.5	66.7
Public Facilities attract more people to location	45.5	70.0
Larger businesses attract more people to location	63.6	76.7
High levels of activity	63.6	86.7
High volumes of feet	78.8	96.7

Source: Demacon Local Business Surveys, 2010

In terms of the reasons underlying their choice of current locations, the following prevailed: safety and security, visibility, lower levels of competition, access to services, low rentals, access to business premises, high levels of activity and high foot counts. Other reasons provided included convenience due to location in proximity to houses, no rentals, trading from home.

Figure 12.5: Given the nature of your business in your opinion would you be better off situated near a shopping mall from passing traffic or inside the mall itself?

In your opinion better to be located near or inside shopping mall

	Near Shopping Mall	Inside Shopping Mall
Less 2 km	60.0	40.0
2 to 5km	45.7	54.3
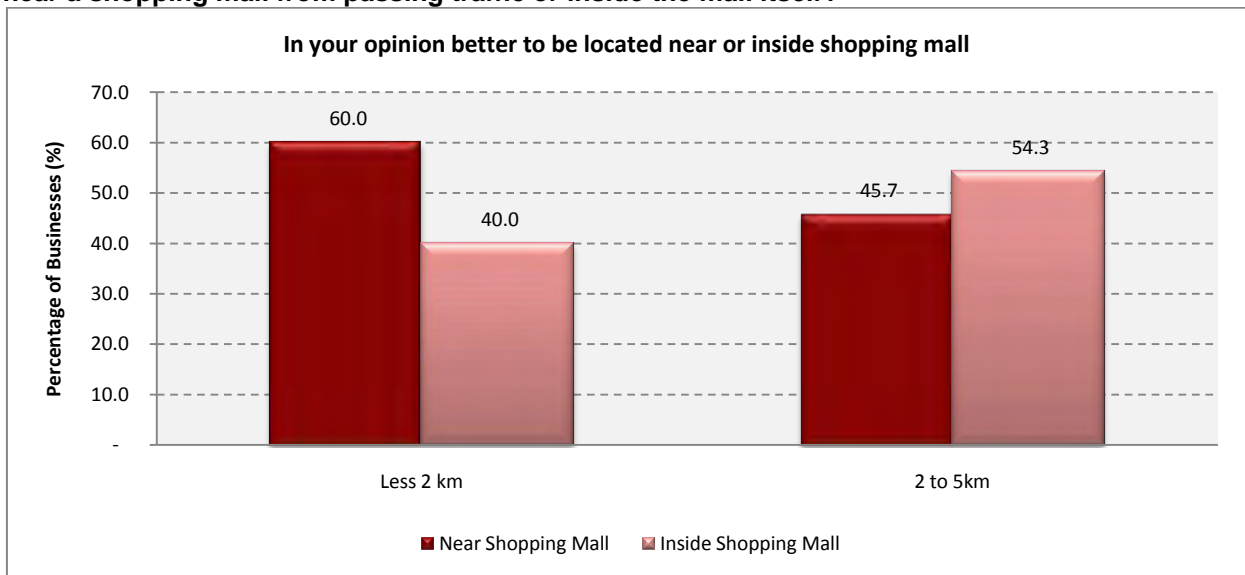
Source: Demacon Local Business Surveys, 2010

Figure 12.6: Do you think you can afford rentals commanded within a modern mall?

Ability to Afford Rentals Commanded in Shopping Mall
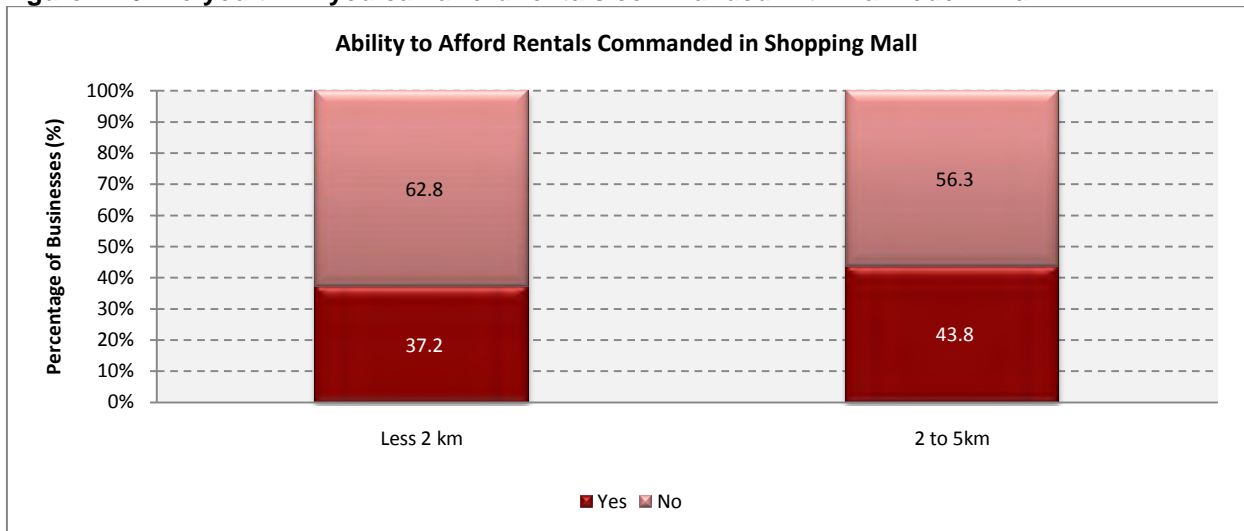
Figure 12.7: Do you think your business would be able to grow over time to afford such rentals?

Perceived Ability of business to growth over time to afford such rentals
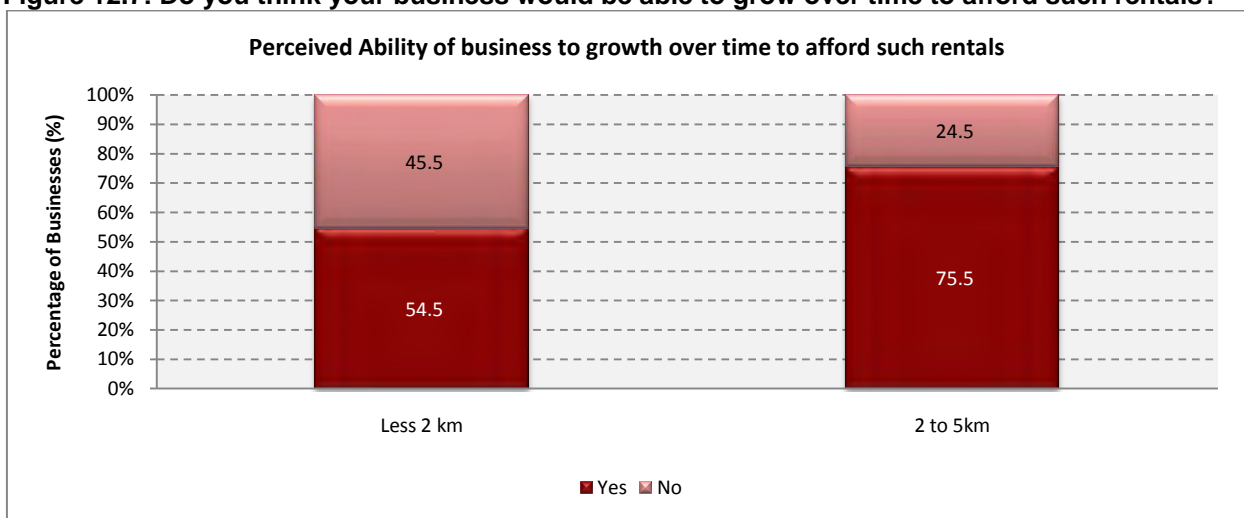
Findings: (Figures 12.5 to 12.7)

✓ The segment within 2km: the majority indicated that they prefer location in proximity to a shopping mall to being located within a formal shopping mall. The majority of businesses also indicated that they would not be able to afford mall rentals. Just fewer than 55% of businesses also indicated that they feel their businesses will be able to grow over time to afford such rentals.

✓ The segment between 2 and 5km: the majority preferred a location within a formal retail centre. Approximately 56% indicated that they are not able to afford the rentals, and the majority – nearly 76% - indicated that they do not feel that their businesses would mature to be able to afford such rentals.

12.3.3 PERCEIVED IMPACT OF FORMAL RETAIL CENTRE ON BUSINESS

Subsequent paragraphs provide insight into the impact that the development of the formal retail centre had on the location of the businesses, the impact on the nature of the businesses and the impact on business performance.

12.3.3.1 Perceived Impact on Location

Subsequent paragraphs provide insight into the current location of the businesses and the manner in which the development of Jabulani Mall affected their current location.

Figure 12.8: Were you trading in this specific location before the development of Jabulani Mall?
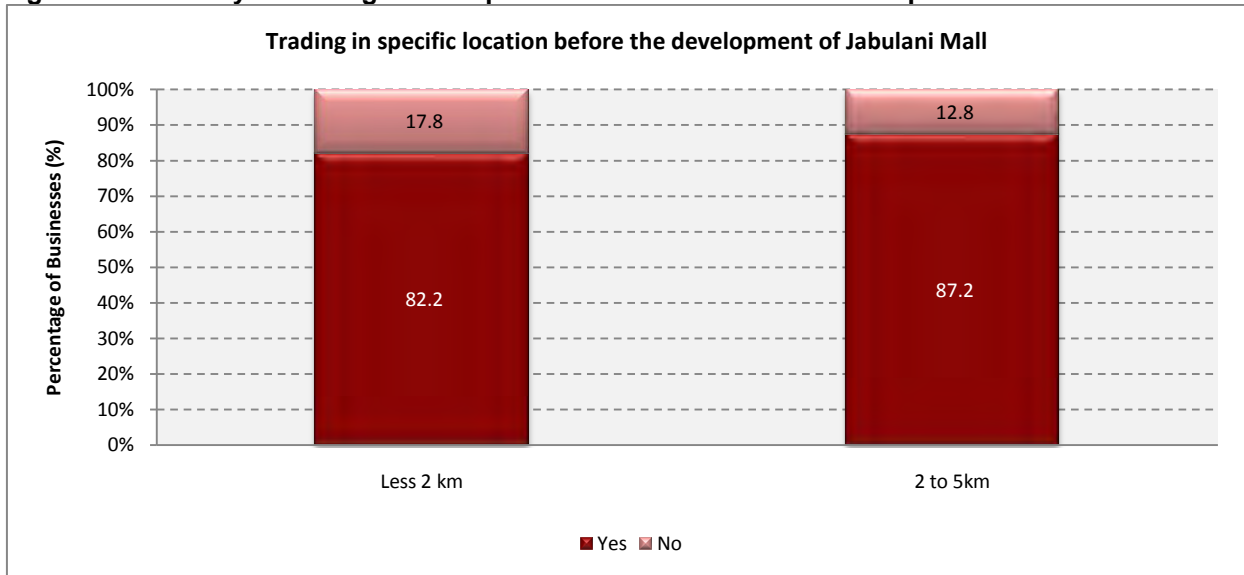
Source: Demacon Local Business Surveys, 2010

✓ The majority of respondents indicated that they were trading in the same location before the development of Jabulani Mall.

✓ The majority of the businesses within 2km that were not trading at the same location before the development of Jabulani Mall represent registered businesses (37.5%) and informal traders (37.5%), followed by 25.0% which represent unregistered entities.

✓ The businesses within 2 to 5km indicated that it was mostly informal traders that have relocated to other locations (83.3%), as well as a small percentage of registered businesses (16.7%).

✓ The dominant reasons for changing their locations can be ascribed to construction activities within the areas, road upgrades and moving to larger premises.

Findings: (Figure 12.9)

Businesses within 2km of Jabulani Mall indicated the following perceived impacts:

Overall the following increased:
✓ Levels of competition;
✓ Proximity to public transport facilities and routes;
✓ Pedestrian volumes/feet past business.

Overall the following remained the same:
✓ Access to banking facilities;
✓ Safety and security;
✓ Accessibility;
✓ Proximity to larger businesses.

Figure 12.9: Perceived Impact of Jabulani Mall on Current Location With Reference to Following – Less Than 2km

How has the development of Jabulani Mall impacted on your current location - less 2km

Legend: Remained the Same ■ Declined ■ Increased
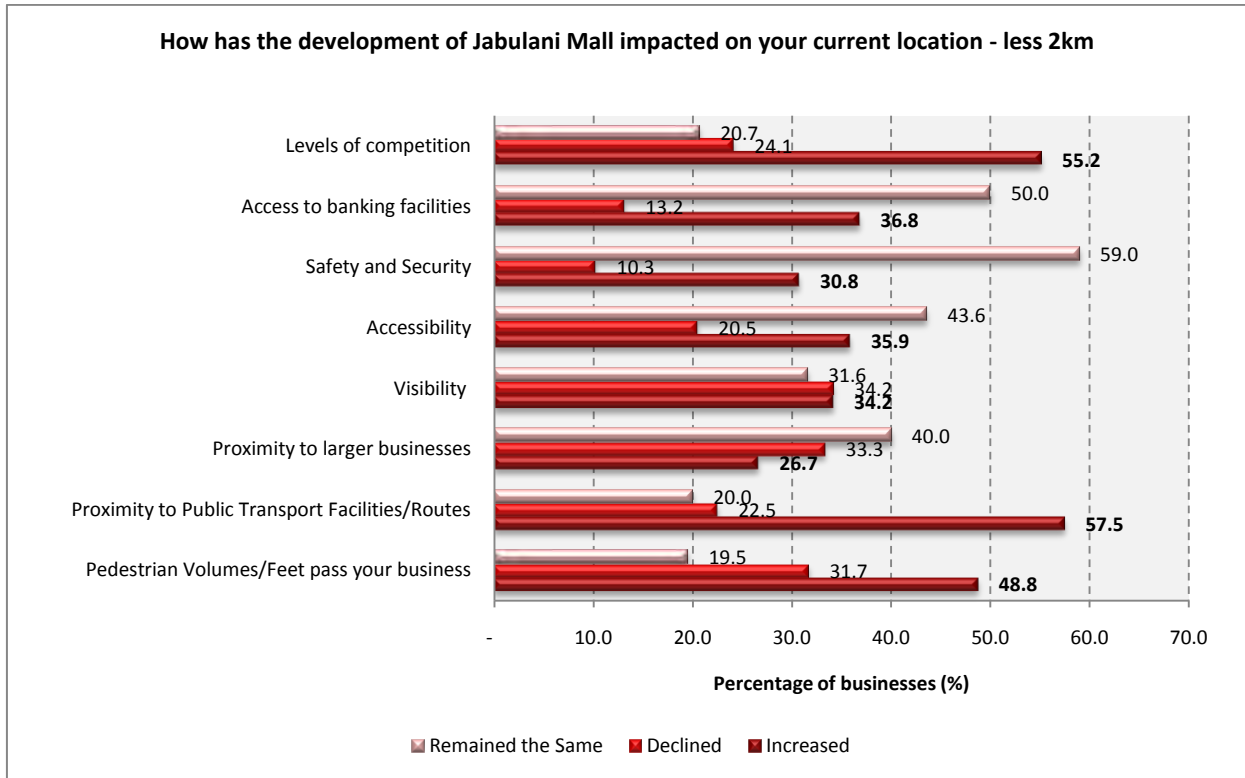
Source: Demacon Local Business Surveys, 2010

Figure 12.10: Perceived Impact of Jabulani Mall on Current Location With Reference to Following – 2 to 5km

How has the development of Jabulani Mall impacted on your current location - 2 to 5km

Legend: Remained the Same ■ Declined ■ Increased
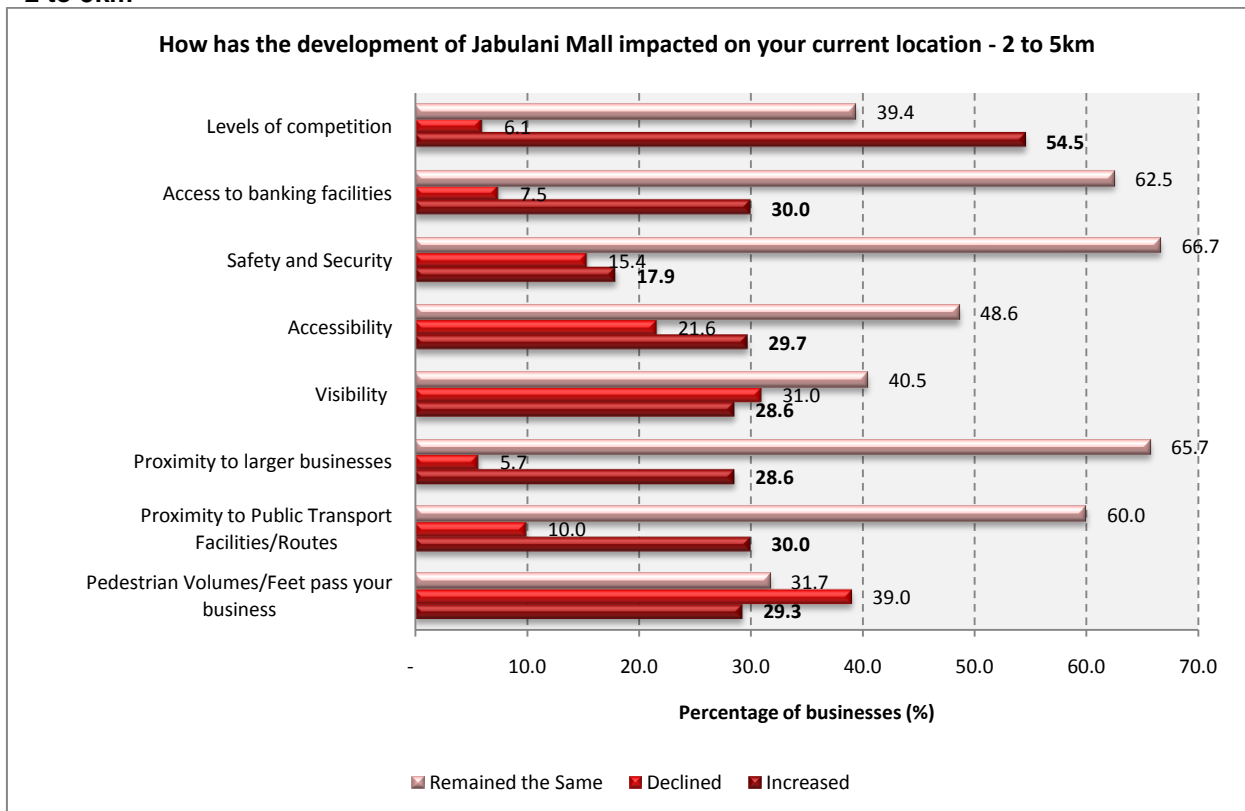
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.10)

Businesses within 2 to 5km of Jabulani Mall indicated the following perceived impacts:

Overall the following increased:
✓ Levels of competition.

Overall the following remained the same:
✓ Safety and security;
✓ Proximity to larger businesses;
✓ Access to banking facilities;
✓ Proximity to public transport facilities and routes;
✓ Accessibility;
✓ Visibility.

Overall the following declined:
✓ Pedestrian volumes/feet past business.

Other impacts caused by the development of the mall, according to respondents, include increased support from construction workers during the development phases of the mall and the provision of bigger stalls in proximity to the mall.

12.3.3.2   *Perceived Impact on Nature of Business*

Subsequent paragraphs provide insight into the nature of the business and the impact of the development of Jabulani Mall thereon.

Figure 12.11: Did the Nature of your Business change before and after Development of Jabulani Mall?
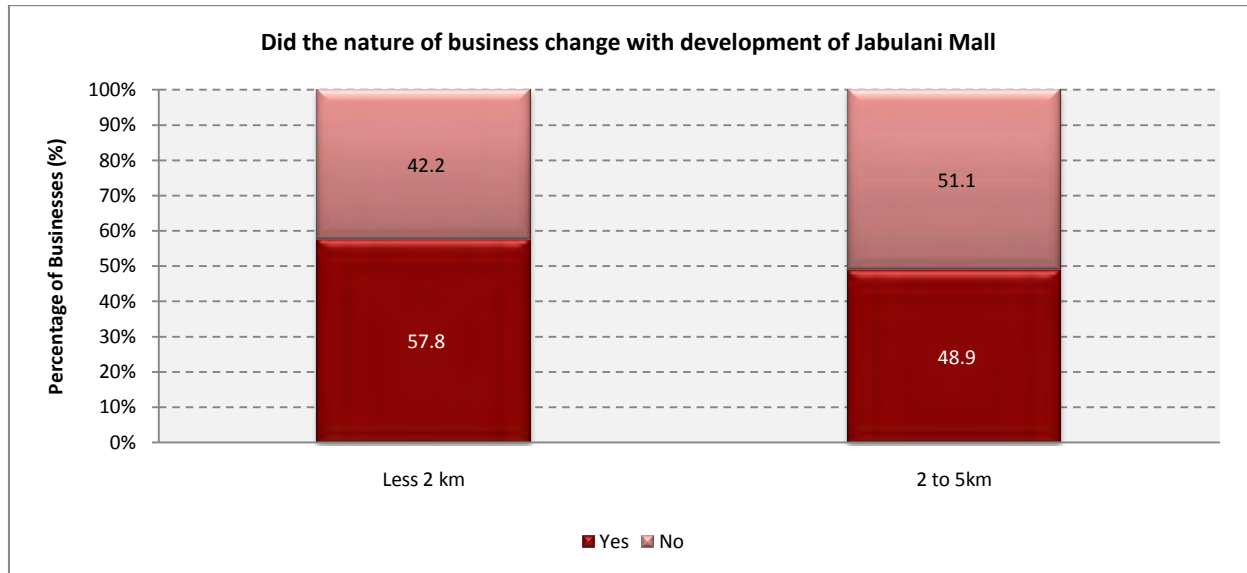
Source: Demacon Local Business Surveys, 2010

Figure 12.12: Did the nature of the dominant product or service change before and after development of Jabulani Mall?

Did the nature of the main product/service change
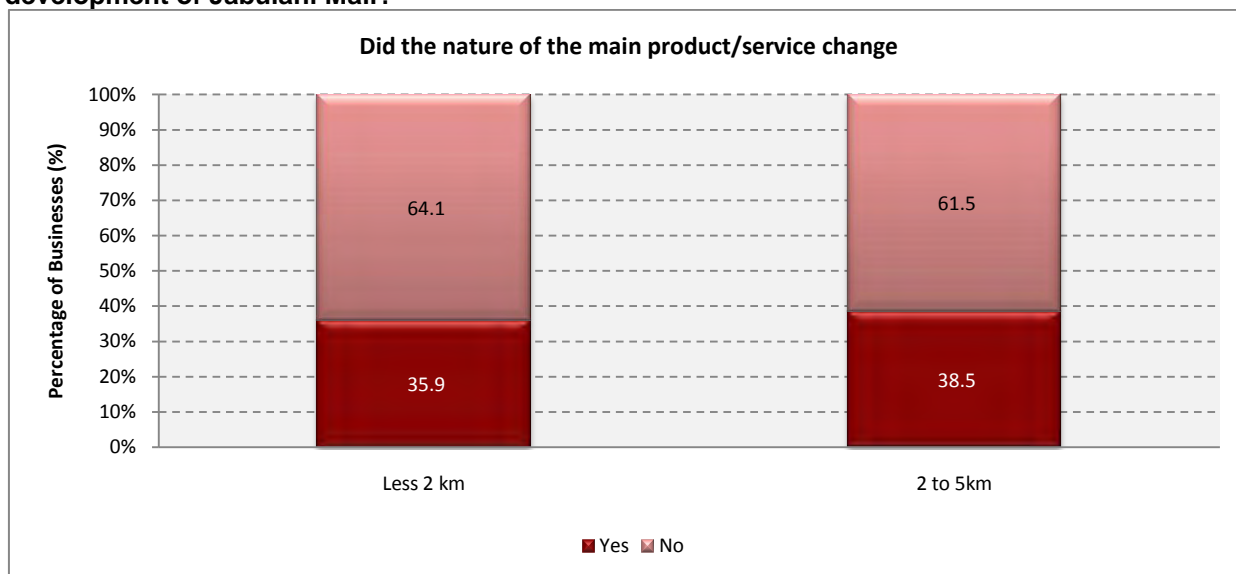
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.11 and 12.12)

✓ It is evident that a segment of businesses have experienced a change in the nature of their businesses since the development of Jabulani Mall. A certain segment of businesses reflected changes due to positive factors – increased customer base, higher levels of activity, profit increase, more consumers, improved business performance and business improvements. The larger segment, however, reflected changes due to negative factors – loss of customers, profit decline, change and decline in product range, extended sale of stock, increased levels of competition.

✓ A moderately small segment of between 35% and 39% of responding businesses indicated that a change took place in their dominant products and services. Examples of these changes are listed below:

Before Jabulani Mall	After Jabulani Mall
Ice cream	Juice and milk
Grilled chicken	Fish 'n chips
Hair salon	Hair salon & products
Internet café	Faxing & copying
Sweets	Shoe repair
Alcohol products	Shoe repair
Coffee shop	Internet café
Fruit	Soft drinks
No jewellery	Now jewellery
Small quantities	More bulk
Loose cigarettes	Fruit
Nail polish	Fruit

The dominant reasons for these changes are a result of:

✓ Duplication of shops and products in the area;
✓ Increased levels of competition;
✓ Increased consumer volumes;
✓ Inability to compete effectively with product range;
✓ Price differences;
✓ Increased activity in the area;
✓ General development and improvement trends;

✓ A loss of customers (more of a problem as distance increases from the mall).

12.3.3.3 *Perceived Impact on Business Performance*

Subsequent paragraphs provide an indication of the impact that the development of Jabulani Mall had on the local business performance in terms of consumer volumes, stock movement, product range, turnover, profits and employment. An overall perceived impact of the development of Jabulani Mall on the local business environment was also indicated, as well as business linkages to Jabulani Mall.

Figure 12.13: How would you Measure the Performance of Your Business after development of Jabulani Mall?
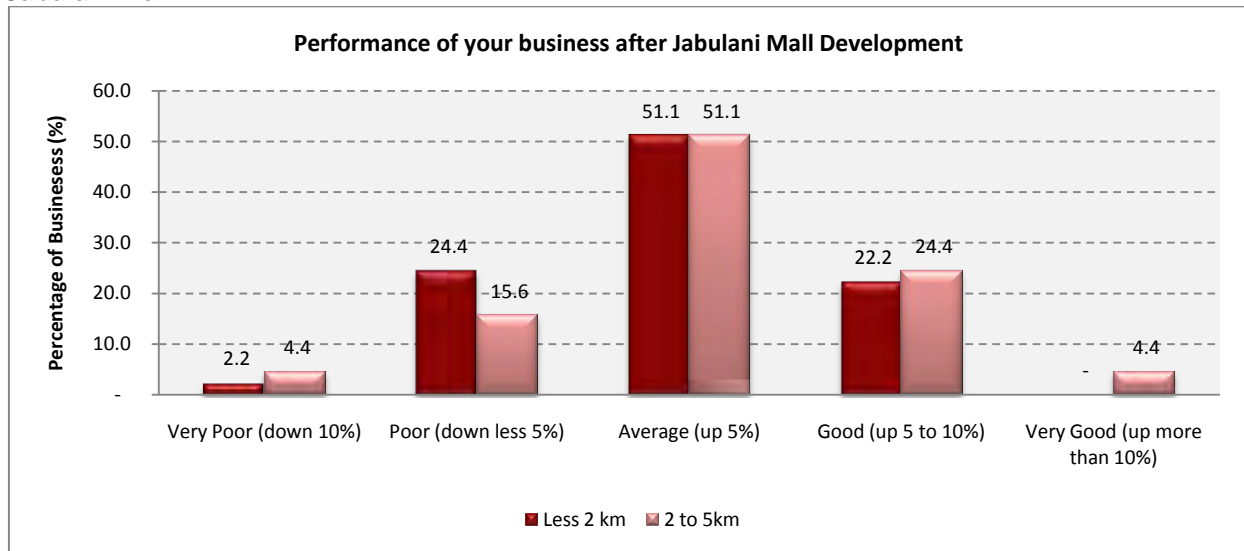
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.13)

✓ Overall, the largest segment of respondents indicated an average business performance (up by 5%).
✓ Segment within 2km: A moderately small segment of 26.6% indicated a decline in their business performance and 22.2% indicated a good performance (increase up to 10%).
✓ Segment between 2 and 5km: – A moderately small segment of 20.0% indicated a decline in their business performance and a moderately larger segment indicated a good to very good performance (28.8%).

Findings: (Figure 12.14)

Overall, the following was found:
✓ Employment: the majority of businesses reflected that employment remained the same.
✓ Profits: the larger segment showed a slight decrease in profits (37.1%), followed by 28.6% indicating a slight increase in profits.
✓ Monthly turnover: the larger segment reflected a slight decline, 29.4% of respondents indicated it remained the same and 26.5% indicated a slight increase.
✓ Product range: the majority of respondents indicated that it remained the same, 29.4% indicated a slight decrease and 20.6% indicated a slight increase.
✓ Stock movement: the majority of respondents indicated that it remained the same, 26.5% indicated a small decline, 17.6% a slight increase and 2.9% a major increase.
✓ Consumer volumes: the majority of respondents indicated a slight decrease, 25.7% indicated a slight increase and 20.0% indicated that it remained the same.

Figure 12.14: Perceived impact on business performance after Jabulani Mall Development – less than 2km
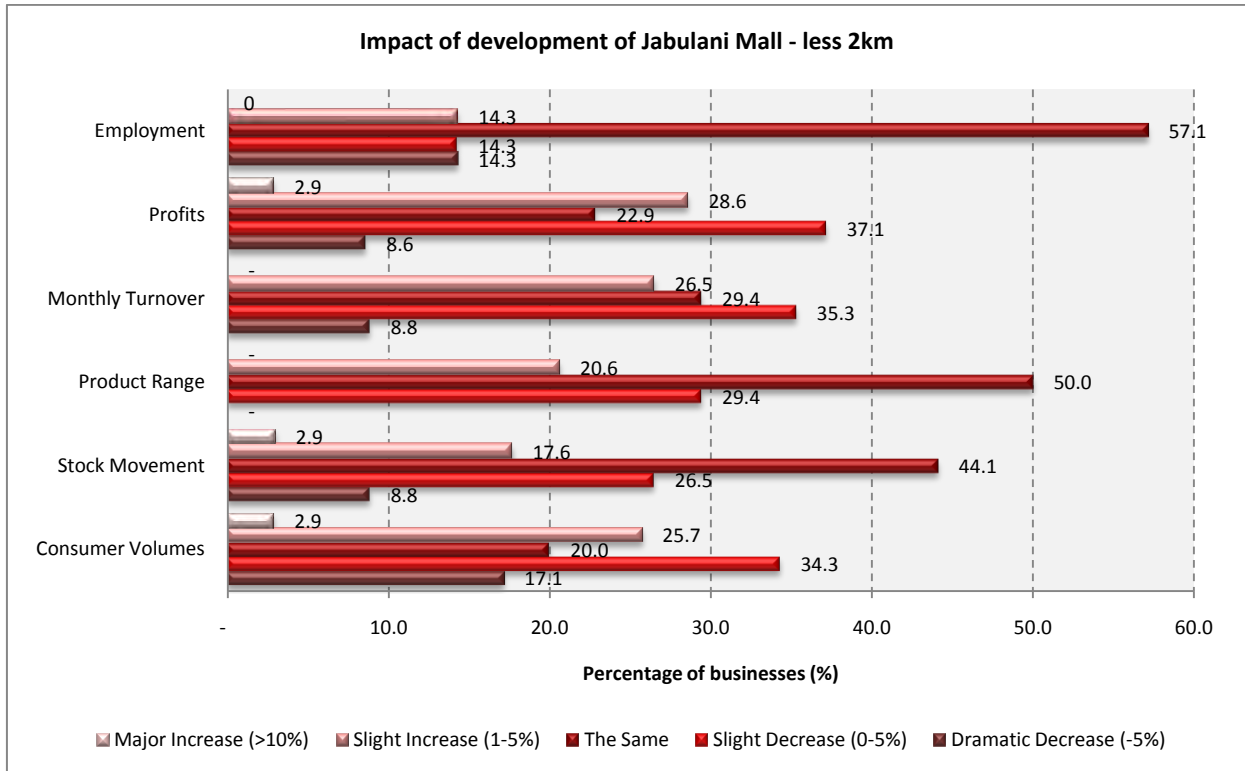
Source: Demacon Local Business Surveys, 2010

Figure 12.15: Perceived impact on business performance after Jabulani Mall Development – between 2 and 5km
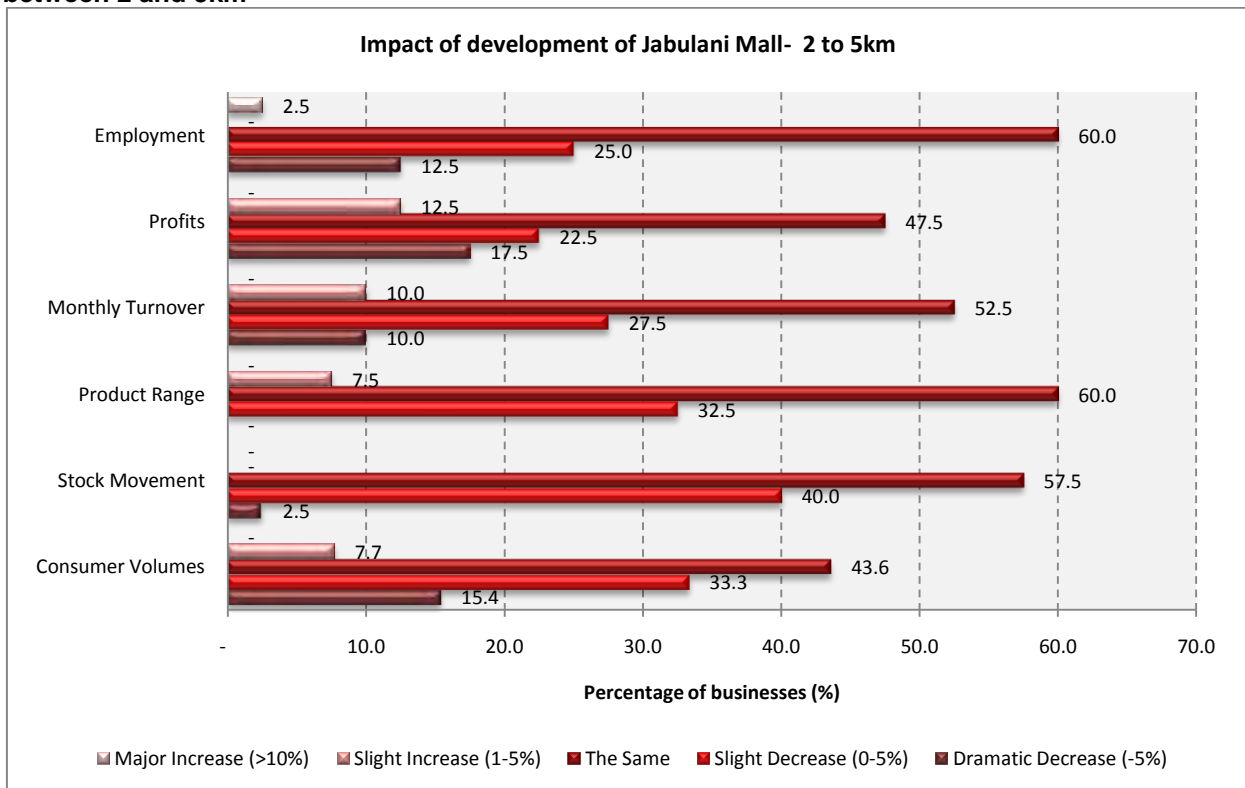
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.15)

Overall, the following was found:

✓ Employment: the majority of businesses indicated that employment remained the same, 25.0% indicated a slight decline and 12.5% a dramatic decline.
✓ Profit: the larger segment indicated that it remained the same, 22.5% indicated a slight decline and 17.5% indicated a dramatic decrease, 12.5% a slight increase.
✓ Monthly turnover: the larger segment indicated that it remained the same, 27.5% indicated a slight decline, 10.0% indicated a dramatic decrease and 10.0% a slight increase.
✓ Product range: the larger segment indicated that it remained the same, 32.5% indicated a slight decrease and 7.5% indicated a slight increase.
✓ Stock movement: the majority of respondents indicated that it remained the same, 40.0% indicated a small decline.
✓ Consumer volumes: the majority of respondents indicated a slight decrease, 33.3% indicated a slight increase, 15.4% indicated a dramatic decrease and 7.7% a slight increase.

Respondents also listed a number of factors affecting their business performance besides the development of Jabulani Mall:

✓ 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.

Figure 12.16: What have you perceived with regard to local businesses in the areas with the development of Jabulani Mall?
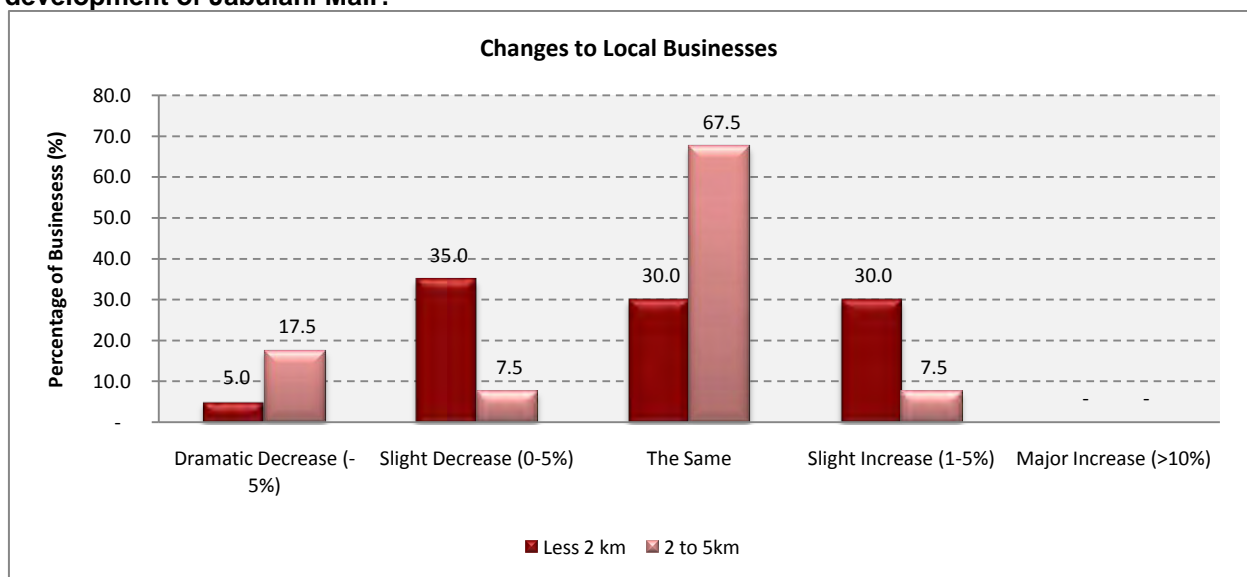
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.16)

- ✓ In terms of the segment within 2km of Jabulani Mall: approximately 40% indicated a decrease in local businesses, 30.0% indicated that it remained the same and 30.0% indicated a slight increase in local businesses.
- ✓ The segment between 2 and 5km from Jabulani Mall: the larger segment of respondents indicated that everything remained the same – 67.5%, 25.0% indicated a decline in businesses and 7.5% a slight increase in local businesses.

Figure 2.17: In general would you say that the development of Jabulani Mall had benefited your business?
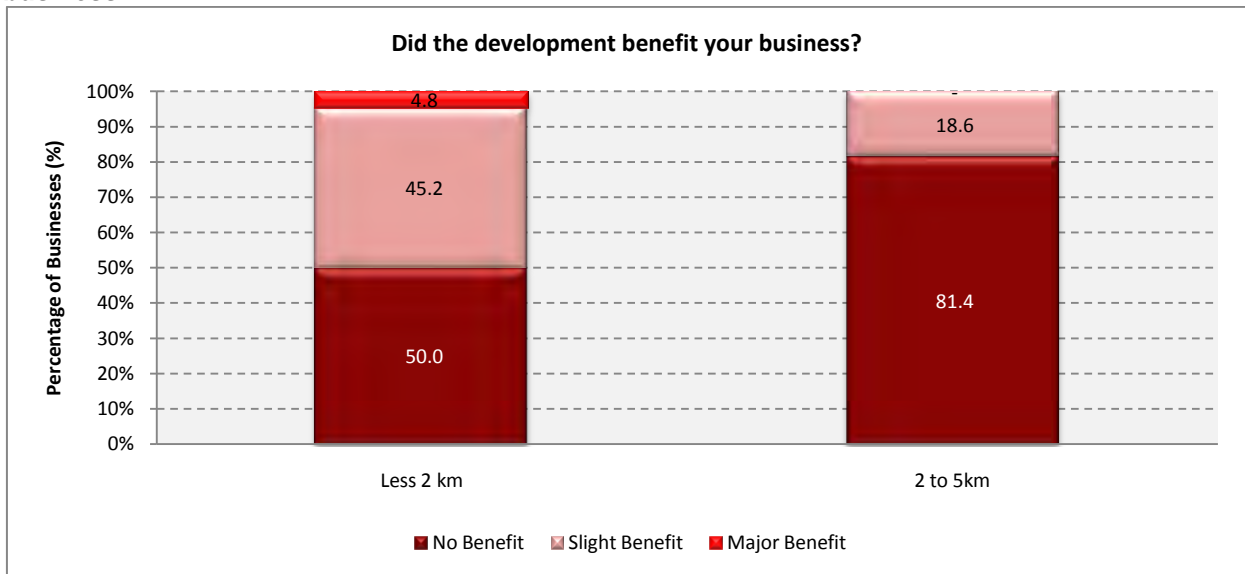
Source: Demacon Local Business Surveys, 2010

Figure 12.18: Dominant Suppliers
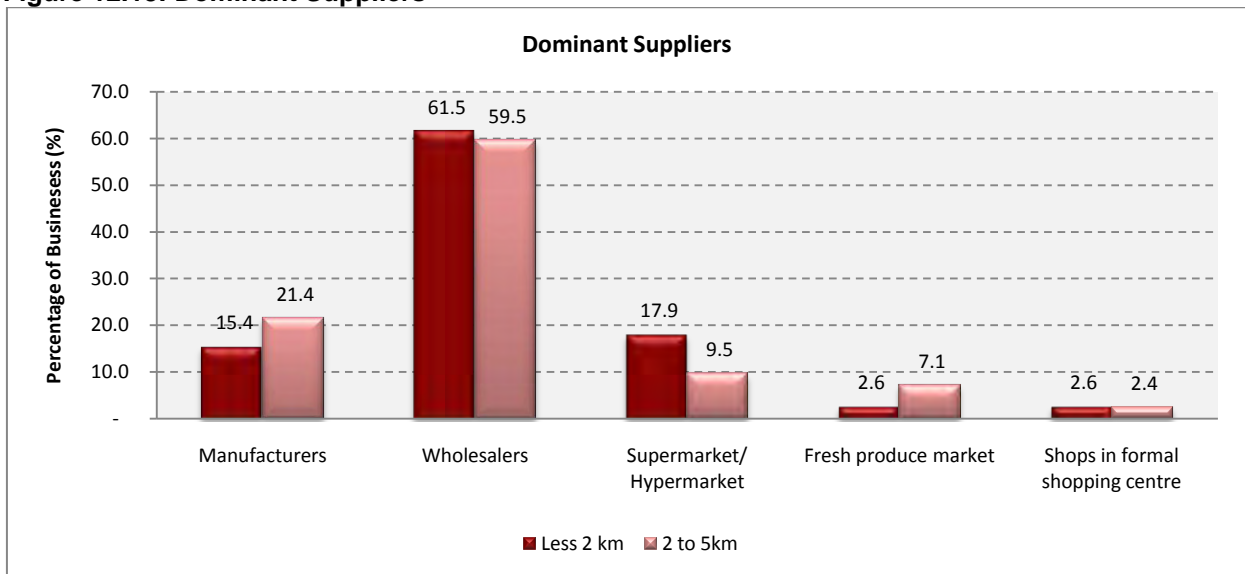
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.17 to 12.19)

- ✓ In terms of the segment within 2km: half of the respondents indicated that the development of the mall had no benefit for their business, 45.2% indicated a slight benefit and 4.8% indicated major benefits.

✓ In terms of the segment between 2 and 5km: the larger segment of 81.4% indicated no benefits and 18.6% indicated a slight benefit.

✓ In general, the benefits resulted from: increased consumer volumes, increasedpassing traffic, increased sales, proximity to suppliers, increased product recognition, availability of stock, proximity to banking facilities, accessibility and visibility.

✓ In general the dominant suppliers are represented by wholesalers, manufacturers and supermarket/hypermarkets.

✓ It is interesting to note that the local businesses in closer proximity to Jabulani Mall purchase higher percentages of monthly stock from the mall. The average weighted percentage of monthly stock purchased at Jabulani Mall amounts to 11.8% for businesses within 2km and 8.7% for businesses located between 2 and 5km from the mall.

Figure 12.19: Percentage of Monthly Stock Purchased at Jabulani Mall

Percentage of monthly stock purchased at Jabulani Mall

	50%+	- / 8.3
	41 to 50%	4.9 / 2.8
	31% - 40%	4.9 / 2.8
	21% - 30%	4.9 / 5.6
	11% – 20%	14.6 / 13.9
	1% -10%	24.4 / 27.8
	0%	46.3 / 38.9

Percentage of businesses (%)

☐ 2 to 5km   ■ Less 2 km
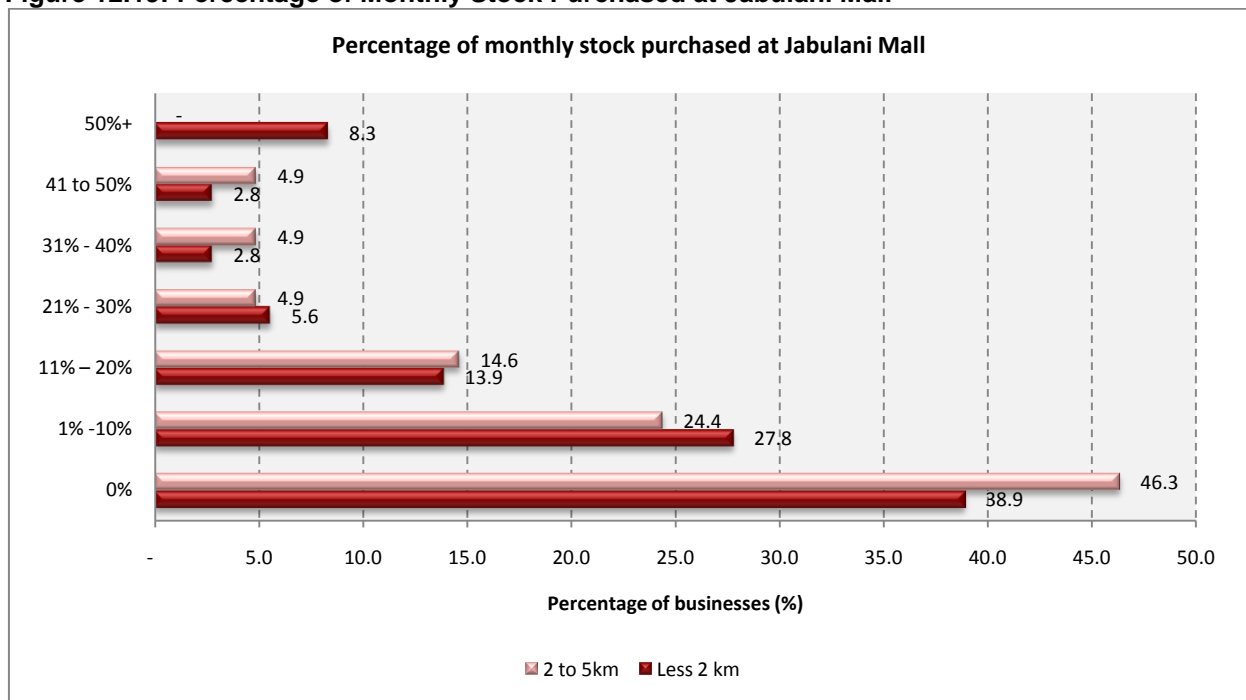
Source: Demacon Local Business Surveys, 2010

12.3.4 BUSINESS PROBLEMS AND REQUIRED SUPPORT

Businesses indicated current business problems which are impeding their growth. An indication was also provided pertaining to the awareness of business support organisations, identification of business support needs and a willingness to accept business support if offered.

Table 12.3: Factors inhibiting your business from relocating to a formal retail centre such as Jabulani Mall

Less 2 km	2 to 5km
1. Lack of customers	1. Lack of funding
2. Lack of funding	2. Lack of business education
3. Product recognition	3. Nature of business
4. Nature of business	4. High rentals
5. High rentals	5. Inability to compete with nationals
6. Limited business growth	6. Poor business performance
7. Poor business performance	7. Lack of customers

Source: Demacon Local Business Surveys, 2010

It is evident from Table 12.3 that the dominant factors inhibiting businesses from relocating to formal retail centres include a lack of customers, lack of business funding, product recognition, informal nature of the business, high rentals, limited business growth, poor business performance, lack of business education and the inability to compete with national tenants.

Figure 12.20: Factors Inhibiting Business Growth – less 2km

Factor inhibiting business growth - less 2km

Factor	Percentage
Slow profit	3.3
Informal nature of business	3.6
Lack of unique business opportunity	5.0
Economic recession	6.0
Lack of Funding	6.6
Accessibility and visibility	9.9
Price competition of larger shops	13.2
Stock prices	15.9
Lack of customer support	16.6
High levels of competition	19.9

Percentage of businesses (%)
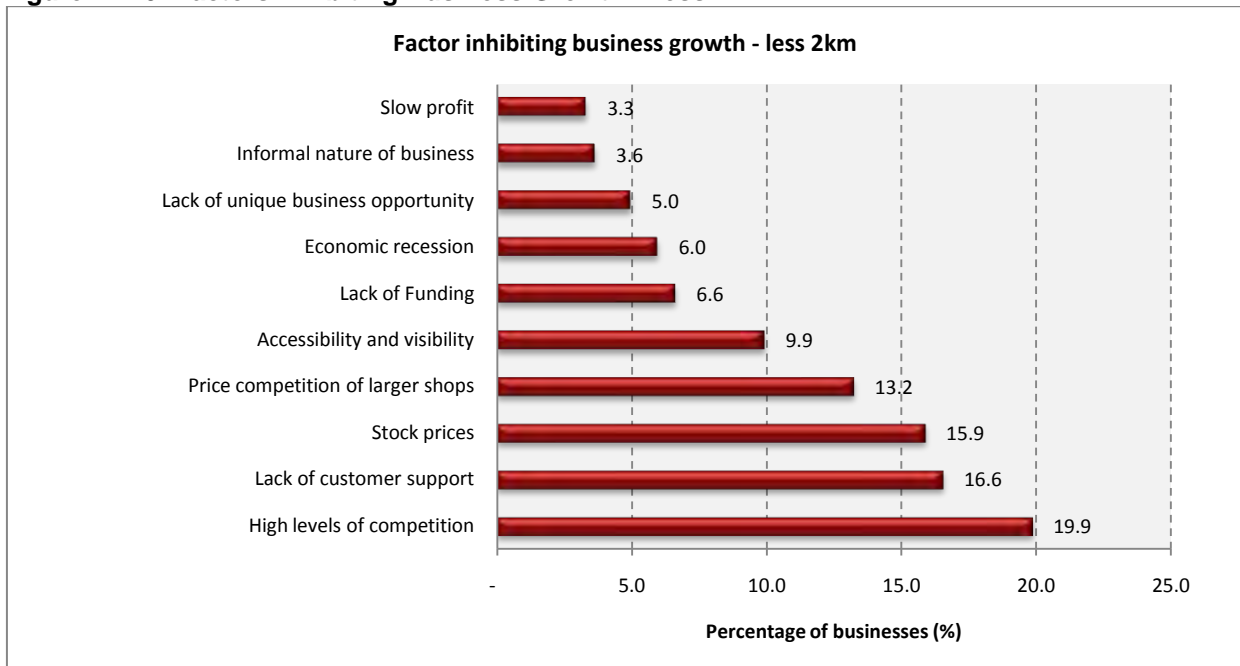
Source: Demacon Local Business Surveys, 2010

Figure 12.21: Factors Inhibiting Business Growth – 2 to 5km

Factor inhibiting business growth - 2 to 5km

Factor	Percentage
Accessibility and visibility	2.9
Economic recession	3.2
Labour costs	3.7
Lack of customer support	4.0
Lack of business support	4.9
Stock prices	5.8
Product recognition	6.1
Inability to Save	6.9
Lack of proper management	7.8
Crime	8.6
Lack of Funding	14.4
High levels of competition	31.7

Percentage of businesses (%)
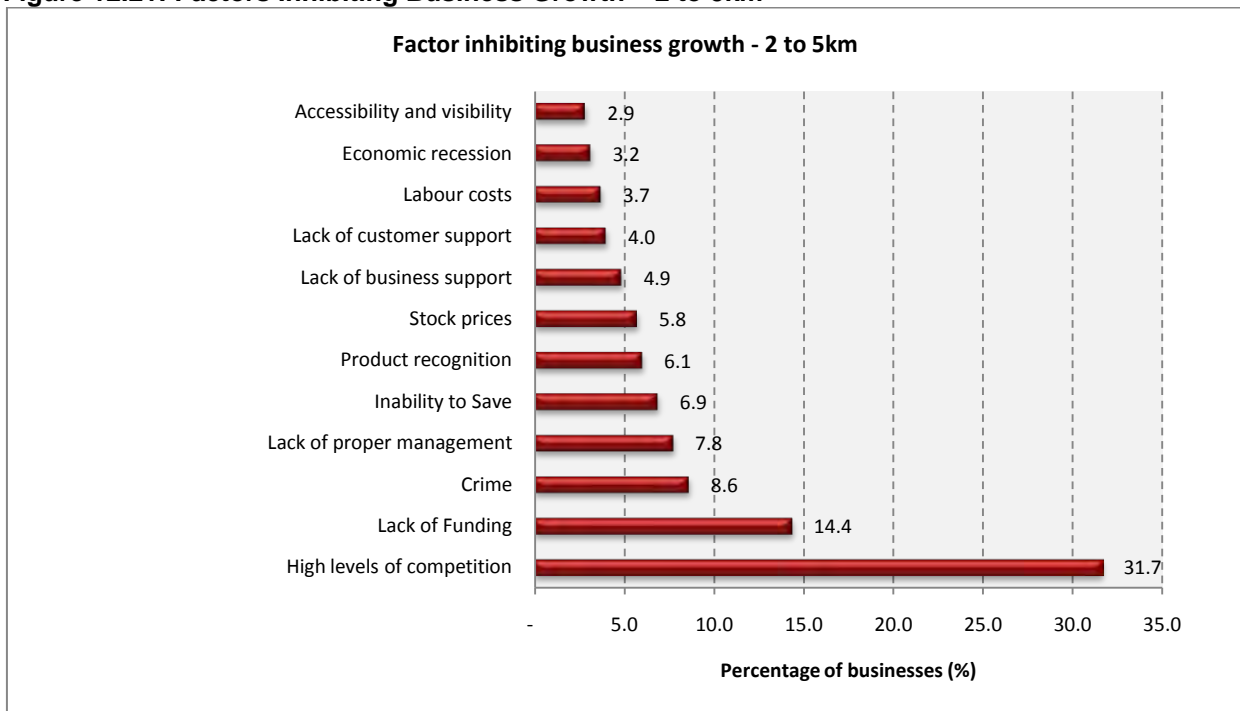
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.20 and 12.21)

In general the dominant factors inhibiting local business growth include: high levels of competition, lack of customer support, lack of funding, stock prices, crime, lack of proper business management, inability to save additional income, accessibility and visibility, impact of economic recession, product recognition, lack of unique business opportunity, nature of business, lack of business support and labour cost.

Figure 12.22: Are you aware of any business support organisations?

Aware of Business Support
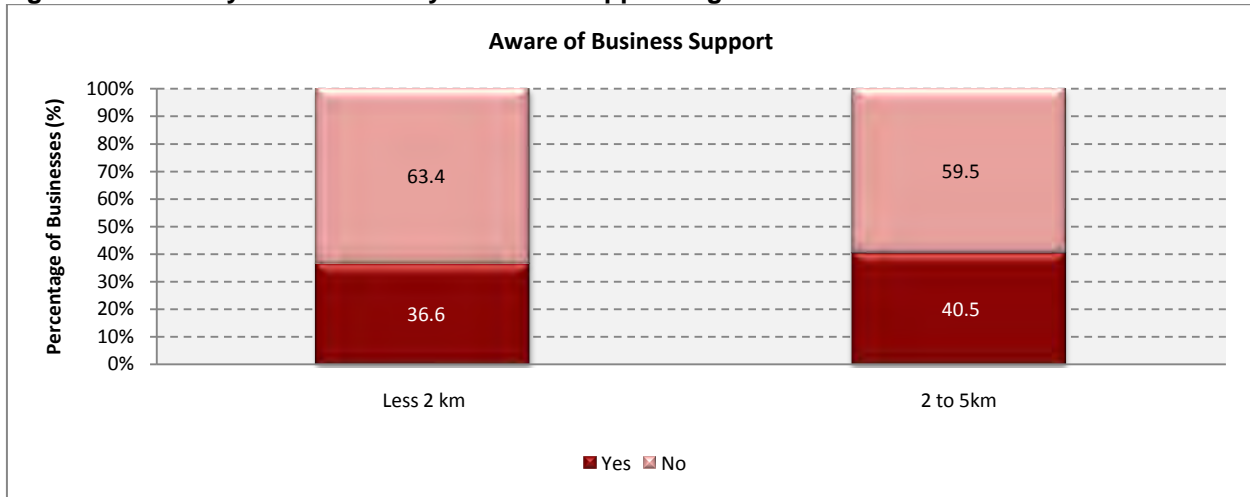
Source: *Demacon Local Business Surveys, 2010*

Figure 12.23: Have you ever been approached to participate or undergo business management training?

Ever been approached to participate/undergo business management training
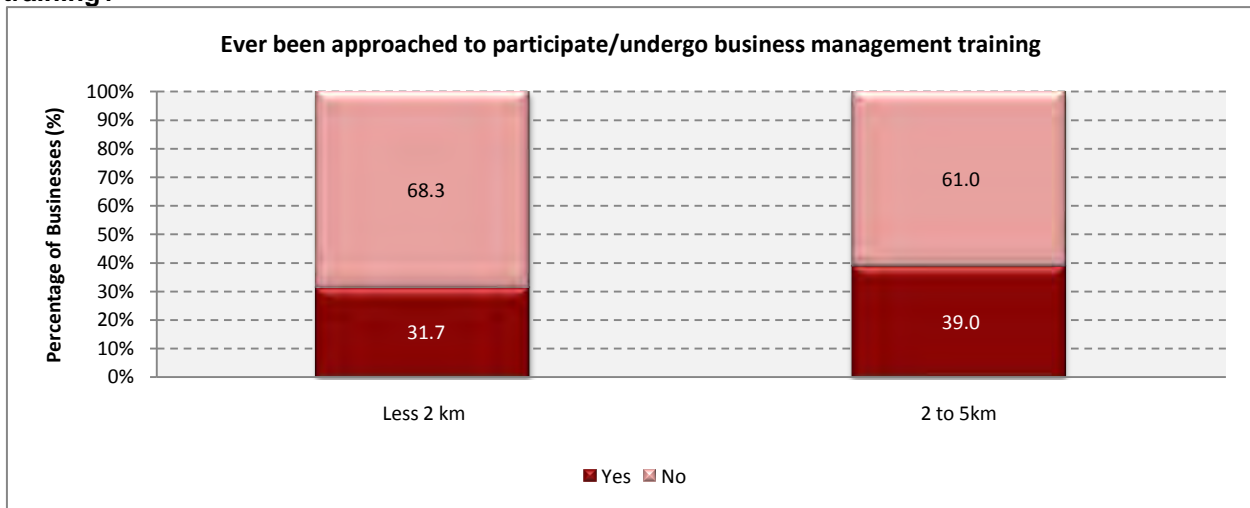
Source: *Demacon Local Business Surveys, 2010*

Figure 12.24: Do you believe such training will enable your business to grow and eventually locate to modern shopping mall?

Perception that training will enable business to grow and eventually locate to retail mall
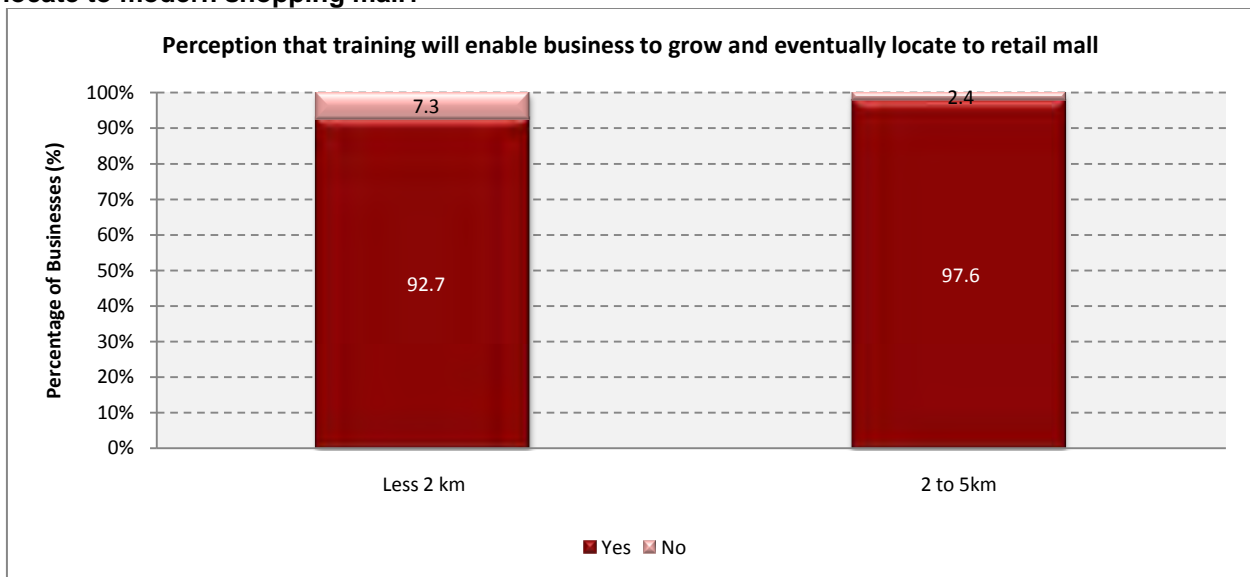
Source: *Demacon Local Business Surveys, 2010*

Figure 12.25: Will you accept such training if it were offered?

Accept Training if Courses were Offered

Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.22 to 12.24)

✓ A moderate segment of local businesses are aware of business support organisations – 36.6% to 40.5%.
✓ A relatively small segment of local business have been approached to participate in or undergo business training – 31.7% to 39.0%.
✓ The majority of local businesses believe that this type of training that would enable their businesses to grow and would enable them to relocate to formal retail centres such as Jabulani Mall.
✓ It is also evident that the majority of these local businesses indicated that they would accept training if it were offered – 80.5% to 92.7%.

Local businesses also ranked their business support requirements – as indicated in Table 12.4.

Table 12.4: Ranking of Business Support Requirements

	1	2	3	4	5	
Segment – less 2km						
Financial support	15.2	6.1	-	42.4	36.4	100
General business skills training	12.9	9.7	9.7	38.7	29.0	100
Legal advice	12.1	15.2	9.1	30.3	33.3	100
Business planning advice	3.1	12.5	15.6	31.3	37.5	100
Marketing assistance	9.1	-	15.2	42.4	33.3	100
Produce research and information	3.2	9.7	12.9	48.4	25.8	100
Communication assistance	-	12.1	18.2	39.4	30.3	100
Technical assistance	3.1	18.8	12.5	34.4	31.3	100
Networking forums	3.0	18.2	15.2	30.3	33.3	100
Physical facilities	9.1	3.0	15.2	42.4	30.3	100
Segment –2 to 5km						
Financial support	-	-	14.3	31.4	54.3	100
General business skills training	-	3.0	18.2	33.3	45.5	100
Legal advice	-	-	17.6	44.1	38.2	100
Business planning advice	2.9	-	11.8	44.1	41.2	100
Marketing assistance	-	-	6.1	48.5	45.5	100
Produce research and information	-	-	11.8	41.2	47.1	100
Communication assistance	-	-	14.3	40.0	45.7	100
Technical assistance	3.1	-	12.5	46.9	37.5	100
Networking forums	-	-	8.6	40.0	51.4	100
Physical facilities	2.9	-	11.8	32.4	52.9	100

Source: Demacon Local Business Surveys, 2010

Overall, the following business support requirements are evident:

✓ Segment within 2km: legal advice, business planning advice, networking forums, financial support, product research and information, marketing assistance, physical facilities.

✓ Segment between 2 and 5km: financial support, physical facilities, networking forums, product research and information, communication assistance, general business skills training, marketing assistance.

12.3.5 BUSINESS OWNER AND BUSINESS INFORMATION

Subsequent paragraphs provide background information on the business owner in terms of racial profile, gender profile, age profile, highest level of education, business training, previous work experience, reasons for starting a business.

They also provide information pertaining to the business itself – the age of the business, number of employees, access to facilities and services, business planning, bank products and average monthly business turnover.

Table 12.5: Business Owner Information

	Less 2 km	2 to 5km
Racial Profile		
Black	**90.5**	**91.1**
Coloured	7.1	8.9
Indian/Asian	2.4	-
White	-	-
Gender Profile		
Male	**69.0**	**65.1**
Female	31.0	34.9
Age Profile		
16-24 yrs	4.9	2.4
25 -34 yrs	**48.8**	**35.7**
35 – 49 yrs	**31.7**	**38.1**
50yrs+	14.6	23.8
Highest Level of Education		
No schooling	4.8	6.8
Primary	11.9	11.4
Some secondary	**33.3**	**29.5**
Matric	**38.1**	**36.4**
Post matric qualification	7.1	11.4
Bachelors degree	-	4.5
Any post graduate degree	4.8	-
Any Form of Business Training		
Yes	**20.5**	**31.0**
No	79.5	69.0
Where Were Skills Learned		
Self taught	**52.9**	**61.9**
Family	14.7	11.9
Previous job	14.7	9.5
Training programme	11.8	11.9
Mentor/advisor	-	2.4
Tertiary institution	5.9	2.4
Previous Work Experience		
None	**34.1**	**35.7**
1 Year	-	4.8
2 Years	9.8	14.3
3 Years	14.6	9.5
5 Years	14.6	9.5
10 Years	7.3	7.1
10 Years+	19.5	19.0
Motivation for Starting Own Business		
Wanted to own business	**41.5**	**41.9**
Couldn't find another job	**29.3**	**23.3**
Was retrenched	9.8	11.6
For survival/income purposes	17.1	16.3

	Less 2 km	2 to 5km
Business was inherited	2.4	7.0
Religious regions	-	-

Source: Demacon Local Business Surveys, 2010

Findings: (Table 12.5)

✓ Business owners in general represent African black males between the ages of 25 and 49 years.

✓ The largest segment of business owners reflected highest education levels of some secondary and matric levels (11.9% to 15.9% indicated post matric education levels).

✓ A small segment of business owners have some form of business training – 20.5% to 31.0%.

✓ Skills are predominantly self-taught, or learned from family members, previous jobs and, to a lesser extent, through training programmes.

✓ A relatively large segment of business owners have no previous work experience, 38% to 39% of business owners have less than five years work experience and 16.1% to 26.8% have more than 10 years previous work experience.

✓ The main reasons for starting own business: wanted to own their own business, couldn't find another job and for survival/income purposes.

Figure 12.26: Ownership of Business Premises

Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.26 and 12.27)

✓ A nearly even share of local businesses own or rent their business premises, with a small segment occupying them without paying rentals.

✓ In general businesses have access to the following:
   • Segment within 2km: tap water, formal structure, electricity, refuse removal, toilet facility, shelves/stand, store room/facility.
   • Segment between 2 and 5km: tap water, shelves/stand, electricity, storeroom, formal structure, counter/table, sanitation and toilet facility.

Figure 12.27: Access to Facilities, Equipment and Services
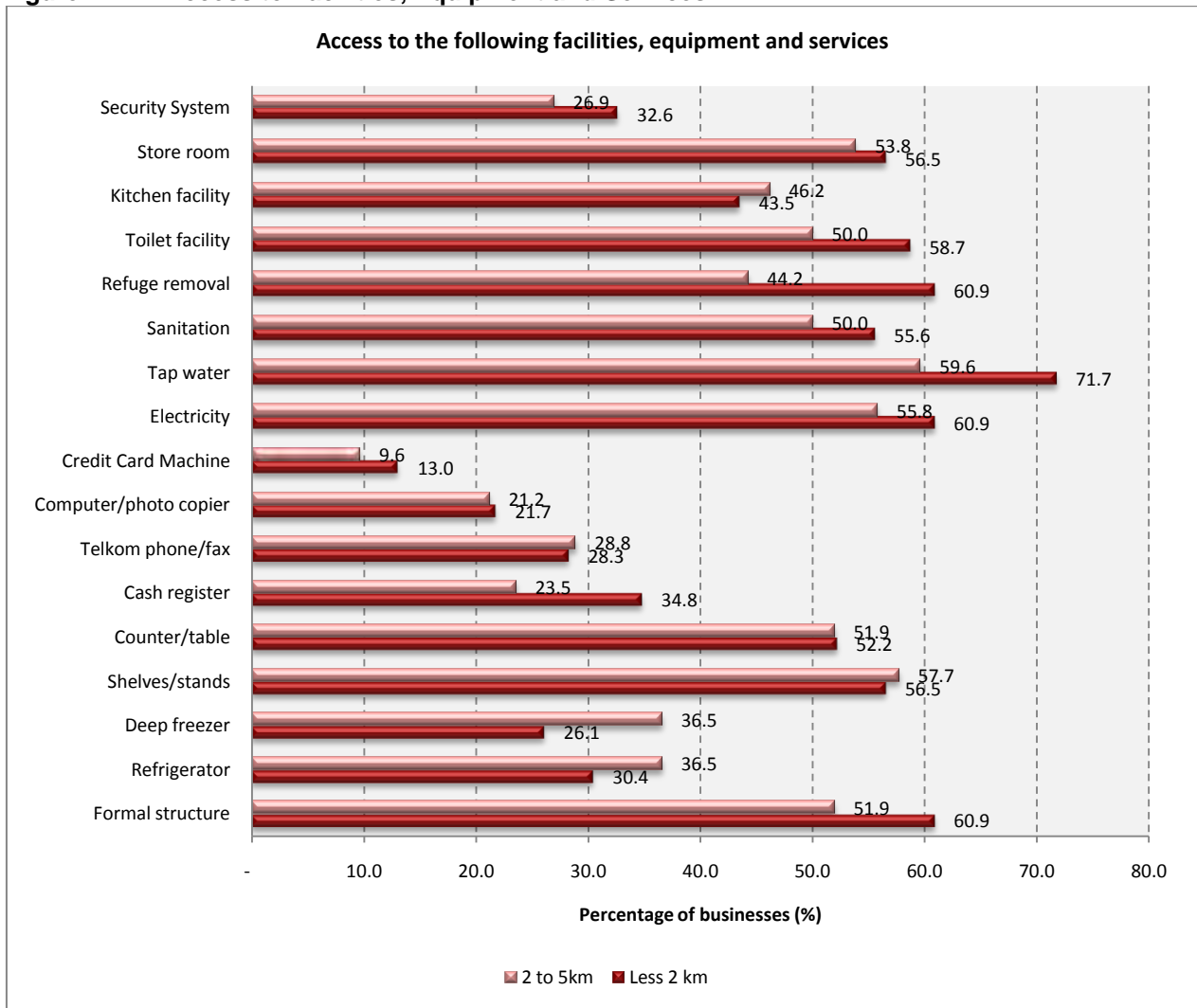
Source: Demacon Local Business Surveys, 2010

Figure 12.28: Do you have any form of business planning for your business?
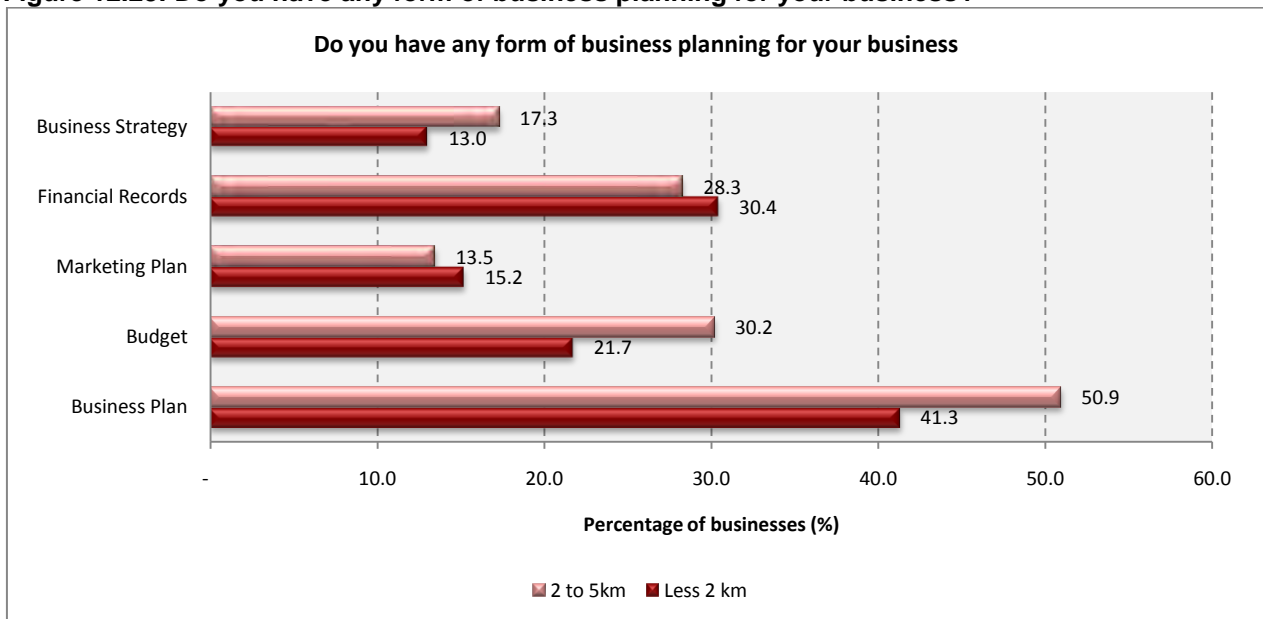
Source: Demacon Local Business Surveys, 2010

Figure 12.29: Bank Products utilised as part of business

Utilisation of the following banking products as part of business

Categories (top to bottom): No Bank Products, Vehicle Finance, Mortgage Bond, An Overdraft, Investment Account, Internet Banking, Garage Card, Credit Card, Fixed Deposit Bank Account, Checque Account, Debit Card, ATM Card, Savings Account/Current Account

Values:
- No Bank Products: 1.9 / 4.3
- Vehicle Finance: 1.9 / 4.3
- Mortgage Bond: –
- An Overdraft: 2.2
- Investment Account: 5.7 / 6.5
- Internet Banking: 1.9 / 13.0
- Garage Card: 1.9 / 2.2
- Credit Card: 2.2
- Fixed Deposit Bank Account: 6.5
- Checque Account: 5.7 / 6.5
- Debit Card: 3.8 / 4.3
- ATM Card: 30.2 / 30.4
- Savings Account/Current Account: 62.3 / 43.5

X-axis: Percentage of businesses (%)

Legend: 2 to 5km / Less 2 km

Source: Demacon Local Business Surveys, 2010

Figure 12.30: Average Monthly Business Turnover

Average Monthly Business Turnover

Categories (top to bottom): R100 000+, R70 001-R100 000, R50 001-R70 000, R40 0001-R50 000, R30 001-R40 000, R20 001-R30 000, R10 001-R20 000, R7 501- R10 000, R5 001- R7 500, R2 001-R5 000, R1 001-R2 000, R501-R1 000, R0-R500

Values:
- R100 000+: – / 3.3
- R70 001-R100 000: – / 6.7
- R50 001-R70 000: 2.8
- R40 0001-R50 000: –
- R30 001-R40 000: 2.8
- R20 001-R30 000: –
- R10 001-R20 000: 5.6 / –
- R7 501- R10 000: 13.9 / 10.0
- R5 001- R7 500: 22.2 / 3.3
- R2 001-R5 000: 19.4 / 26.7
- R1 001-R2 000: 25.0 / 26.7
- R501-R1 000: 5.6 / 20.0
- R0-R500: 2.8 / 3.3

X-axis: Percentage of businesses (%)

Legend: 2 to 5km / Less 2 km

Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.28 to 12.30)

✓ In terms of forms of business planning it is evident that business plans were only preferred by a few local businesses – 41.3% to 50.9%. This is followed by a small segment utilising a budget and financial records. To a lesser extent use is made of a marketing plan or business strategy.

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- ✓ In terms of banking products utilised as part of the businesses, the following was found: a savings accounts or current accounts with ATM cards represent the dominant banking products utilised. Other products used to a lesser extent include cheque accounts, investment accounts, debit cards, internet banking and fixed deposit bank accounts.
- ✓ Businesses within 2km mainly reflected average monthly incomes between R1 000 and R5 000 – 45.4%, 23.3% indicated monthly incomes less than R1 000 per month and 23.3% indicated monthly income above R5 000 per month. The average weighted monthly business income amounts to R10 742.2.
- ✓ Businesses between 2 and 5km from Jabulani Mall predominantly earn incomes between R2000 and R10 000 per month, 8.4% earn incomes below R2 000 per month and 11.1% earn incomes above R10 000 per month. The average weighted monthly business income amounts to R7 181. 0.

12.4 CENTRAL CITY: IMPACT ON LOCAL BUSINESS ENVIRONMENT

Subsequent paragraphs examine the findings of the local business surveys conducted within Soshanguve, around Central City. Surveys were conducted with informal traders, spaza shops and local businesses and retailers within 1km, 2km, 3km, 4k and 5km from Central City – Refer to Map 12.2. Findings are also presented in terms of two segments: businesses within 2km from Central City and those within 2 to 5km from Central City.

12.4.1 BUSINESS CLASSIFICATION

This section provides general information on the type of business, the industry the business is involved in and their main product or service.

Figure 12.31: Type of Business
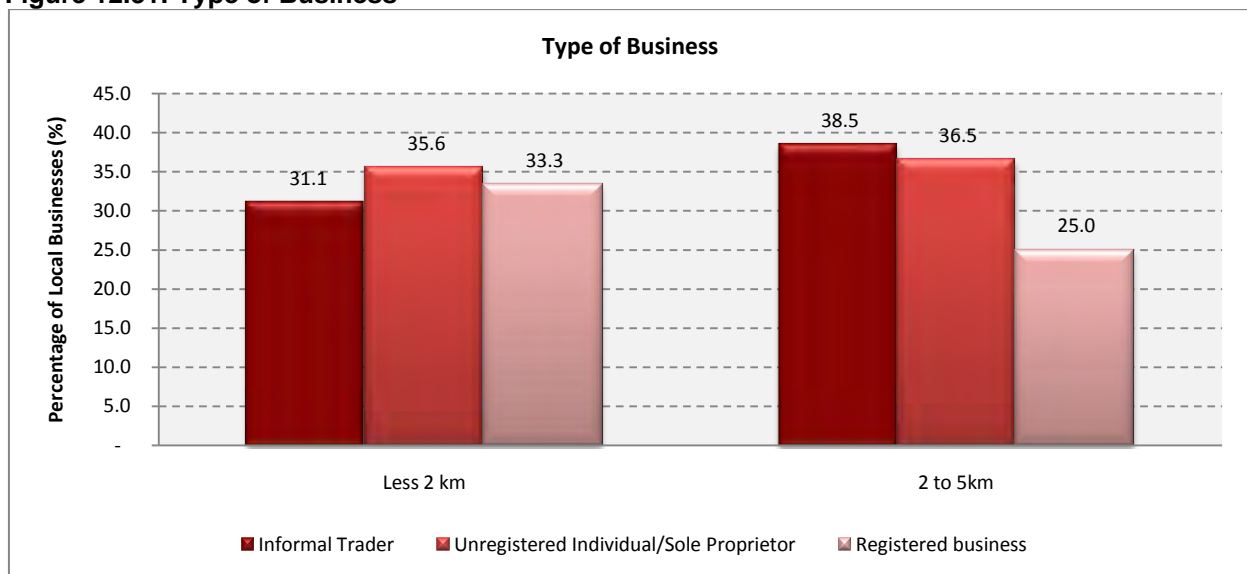
Source: Demacon Local Business Surveys, 2010

Map 12.2: Central City Business Survey Radiuses

Map 12.2: Central City Business Survey Radiuses
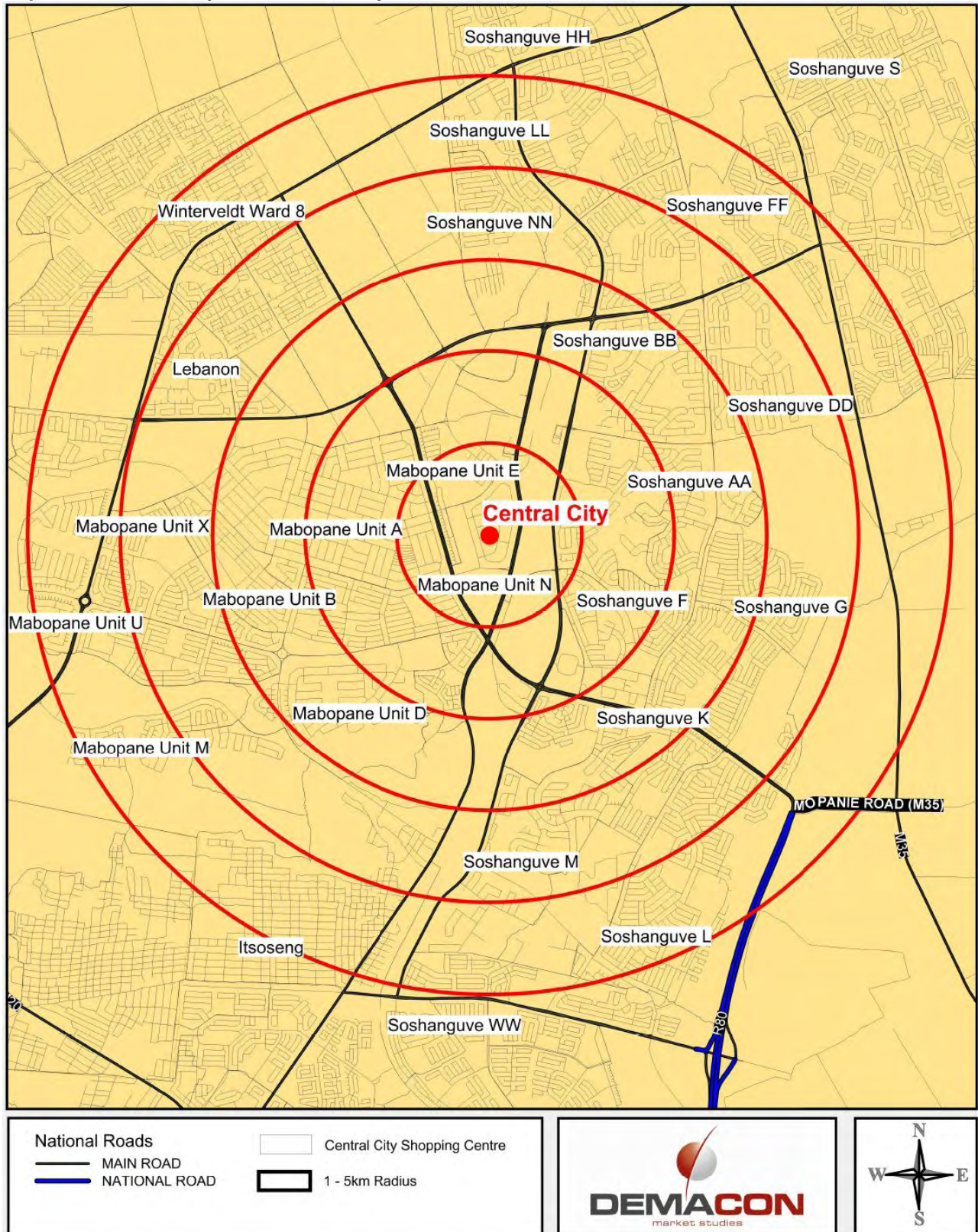
Figure 12.32: Industry Involved In
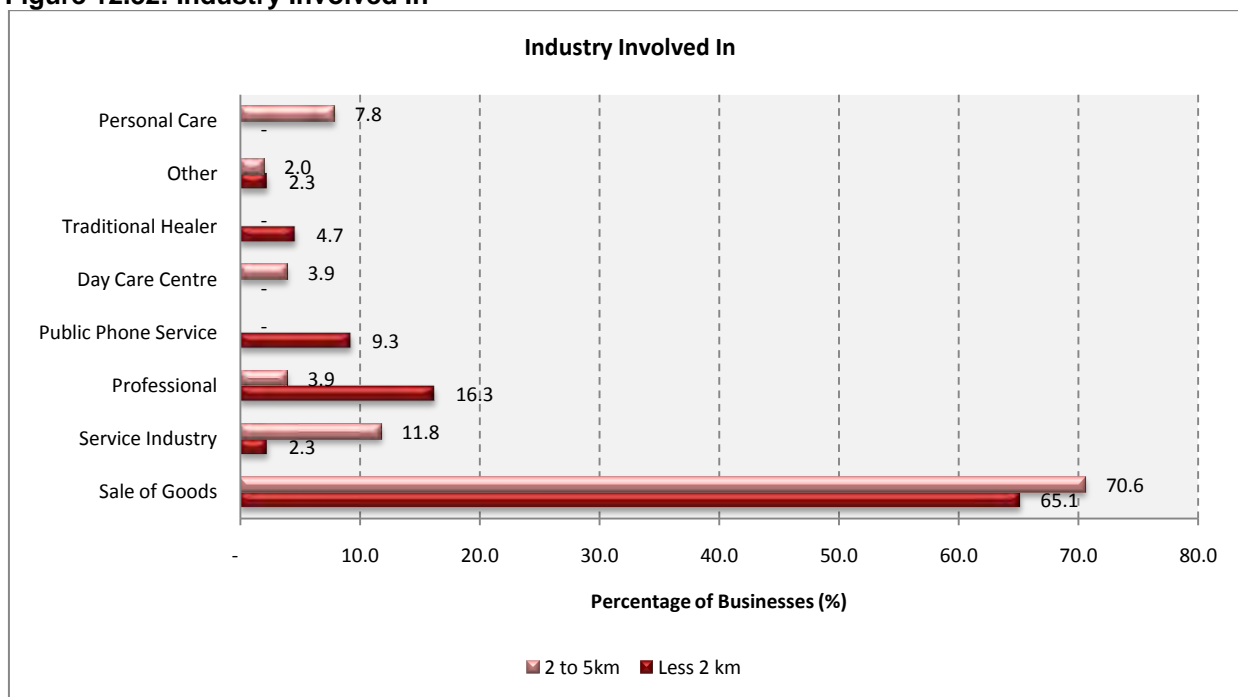
Source: Demacon Local Business Surveys, 2010

Table 12.6: Main Product and Services

	Less 2km	2 to 5km
1	**Fruit & veg**	**Fruit & veg**
2	Groceries	**Food**
3	**Sweets**	Cigarettes
4	Public Phones	**Bread**
5	**Food**	Bricks
6	**Bread**	Brooms
7	Airtime	Car Wash
8	Snacks	Liquor
9	Hair Dresser	Cement
10	Pizza	**Sweets**

Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.31 to 12.32 and Table 12.6)

✓ The types of businesses surveyed include informal traders, registered and unregistered businesses.

✓ The industry they are involved in is largely characterised by the sale of goods for both segments. The market segment within 2km also reflects a moderate representation of professional services, public phone services, traditional healers and service industries. The 2 to 5km market segment also reflects a moderate representation of service industries, personal care, professional and day care services.

✓ The main products and services constituting the largest proportion of business income include fruit and vegetables, groceries, food, sweets, cigarettes, public phones, bread, bricks, brooms, airtime, car wash, snacks, liquor, hair dresser, cement and pizza.

12.4.2 CURRENT LOCATION AND LOCATION REQUIREMENTS

Subsequent paragraphs provide information on preferences regarding business location, reasons for current location, opinions in terms of the advantages of being located in proximity to, or within, formal retail centres and the ability to afford rentals within a formal centre.

Figure 12.33: From a Business Point of View Where do you Want to be Located?

Location Preferences

Category	2 to 5km	Less 2 km
Anywhere	53.3	75.6
Safe and Secure Areas	94.7	90.2
Location that business is visible	68.4	85.7
Location close to banks	80.0	77.5
Location close to services	42.9	82.9
Away from any other businesses	50.0	73.8
Between houses	50.0	71.4
Close to businesses selling similar products	18.8	40.5
Close to smaller businesses	22.2	58.5
Close to larger businesses	70.6	64.3
Along a busy street e.g. public transport route	76.9	80.0
Close to public facilities	87.1	85.7
Close/part of a taxi rank/ public transport facility	67.9	68.3
As part of business node	90.9	71.4

Percentage of Businesses (%)

Source: Demacon Local Business Surveys, 2010

Figure 12.34: Reasons for Current Location

Reasons for your current location

Category	2 to 5km	Less 2 km
Lower levels of competition	45.2	69.8
Safe and secure	61.3	71.1
More visible	32.3	73.3
Access to services	35.5	70.5
Low rentals	41.9	74.4
Business Premises/ trade facilities	25.8	70.5
Close to Taxi Rank	41.9	68.2
Public Facilities attract more people to location	29.0	61.9
Larger businesses attract more people to location	22.6	59.1
High levels of activity	67.7	75.0
High volumes of feet	100.0	82.2

Percentage of Businesses (%)

Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.33 and 12.34)

✓ In terms of the dominant location preferences it is evident that the following aspects ranked highly: safety and security, being part of a business node, proximity to public facilities, visibility and accessibility, proximity to banks, proximity to services, location along a busy street (public transport route).

✓ In terms of reasons underlying their choices of current locations the following prevailed: high foot count/foot traffic, high levels of activity, safety and security, lower levels of competition, lower rentals, proximity to taxi rank, visibility and access to services. Other reasons provided included convenience due to location in proximity of houses, no rentals, trading from home.

Figure 12.35: Given the Nature of Your Business in your Opinion Would you be better off Situated Near a shopping mall from passing traffic or inside the Mall itself?
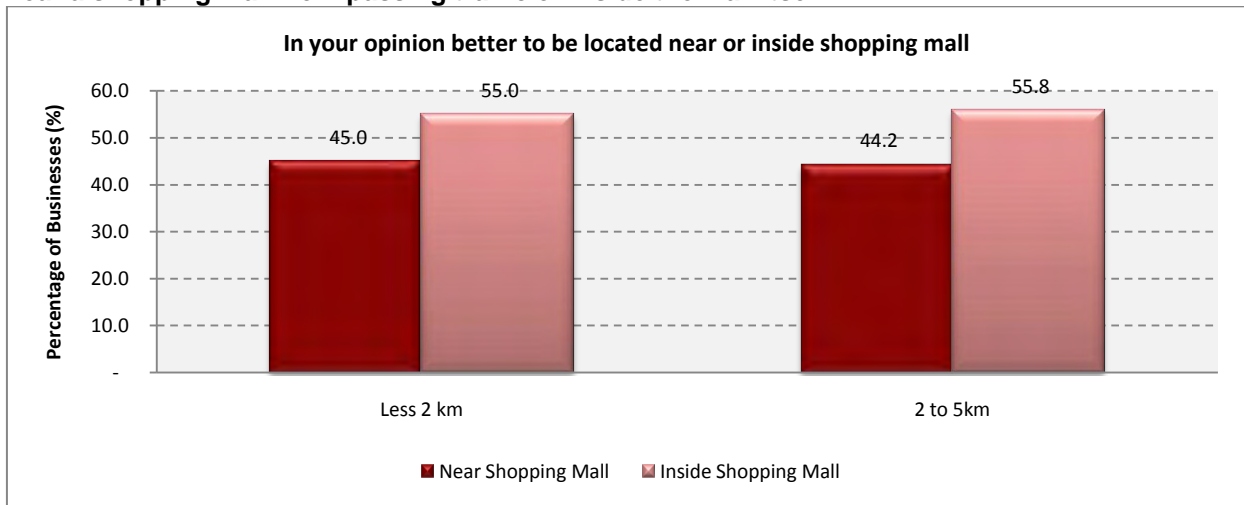
Source: Demacon Local Business Surveys, 2010

Figure 12.36: Do you think you can afford rentals commanded within a modern mall?
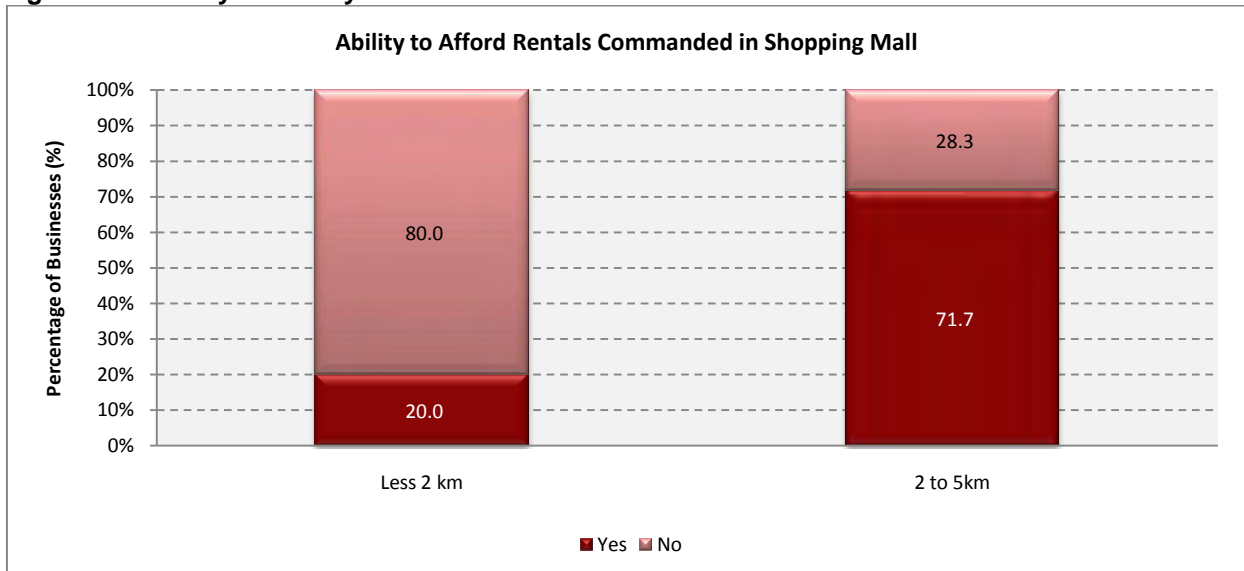
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.35 to 12.37)

✓ The segment within 2km: the majority indicated that they would prefer location within a shopping mall to being located in proximity to a formal shopping mall. The majority of businesses (80.0%) also indicated that they would not be able to afford mall rentals. The

majority of businesses (80.0%) also indicated that they feel their businesses will be able to growth over time to afford such rentals.

✓ The segment between 2 and 5km: the majority preferred a location within a formal retail centre. Approximately 71.7% indicated that they feel they are able to afford the rentals, and the majority – 78.8% - indicated that they do feel that their businesses would mature to be able to afford such rentals.

Figure 12.37: Do you think your business would be able to grow over time to afford such rentals?
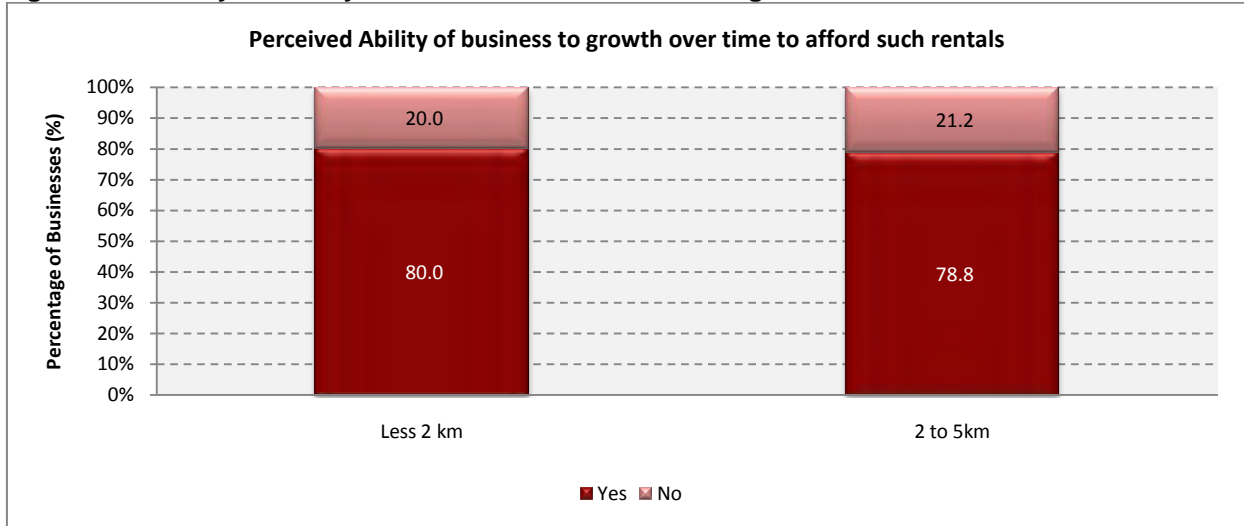
Source: Demacon Local Business Surveys, 2010

12.4.3 PERCEIVED IMPACT OF FORMAL RETAIL CENTRE ON BUSINESS

Subsequent paragraphs provide insight into the impact that the development of the formal retail centre had on the location of the businesses, the impact on the nature of the businesses and the impact on business performance.

12.4.3.1   Perceived Impact on Location

Subsequent paragraphs provide insight into the current location of the businesses and the manner in which the development of Central City impacted on their current location.

Figure 12.38: Have you been trading in this specific location before the development of Central City?
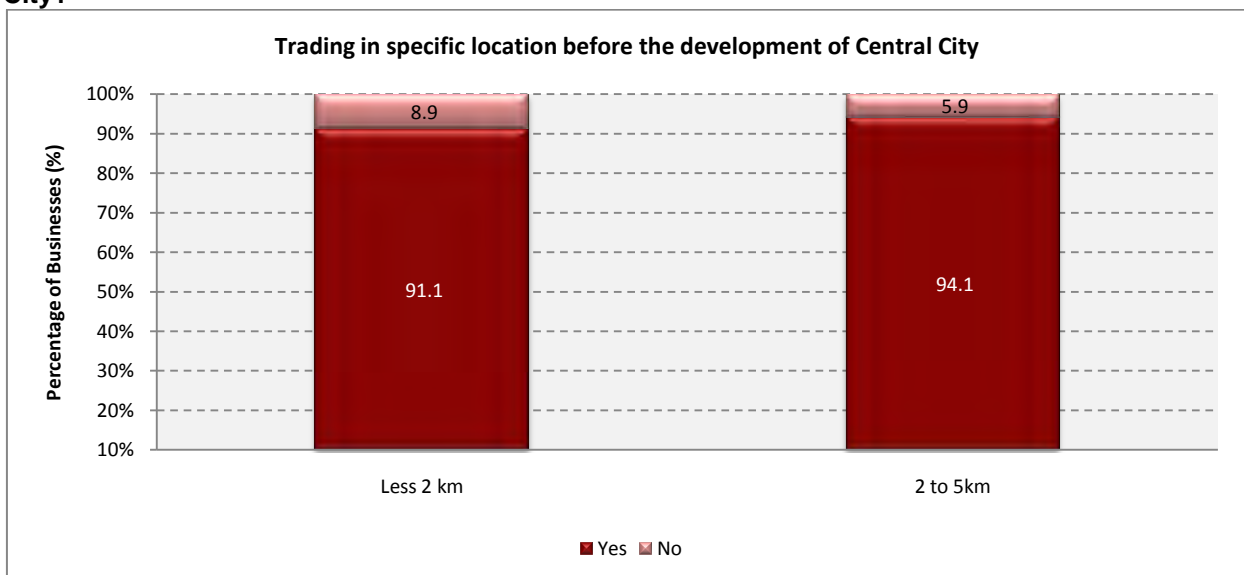
Source: Demacon Local Business Surveys, 2010

- ✓ The majority of respondents indicated that they had been trading in the same location before the development of Central City.
- ✓ The largest segment of respondents within 2km, who indicated that they relocated after development of Central City, is represented by unregistered entities/sole proprietors (50.0%), followed by an equal segment of registered entities (25.0%) and informal traders (25.0%).
- ✓ The segment of respondents between 2 and 5km reflecting changes in location after Central City are represented only by informal traders.
- ✓ The dominant reasons for changes in location are ascribed to: wanting to be in busier areas, more activity elsewhere, no competition, lower rentals, businesses not being registered and businesses being removed from previous locations.

Figure 12.39: Perceived Impact of Central City on Current Location With Reference to Following – less than 2km

How has the development of Central City impacted on your current location - less 2km

	Remained the Same	Declined	Increased
Levels of competition	43.2	6.8	**50.0**
Access to banking facilities	46.7	4.4	**48.9**
Safety and Security	60.0	11.1	**28.9**
Accessibility	52.3	9.1	**38.6**
Visibility	40.0	17.8	**42.2**
Proximity to larger businesses	40.0	6.7	**53.3**
Proximity to Public Transport Facilities/Routes	28.9	11.1	**60.0**
Pedestrian Volumes/Feet pass your business	33.3	11.1	**55.6**

Percentage of businesses (%)
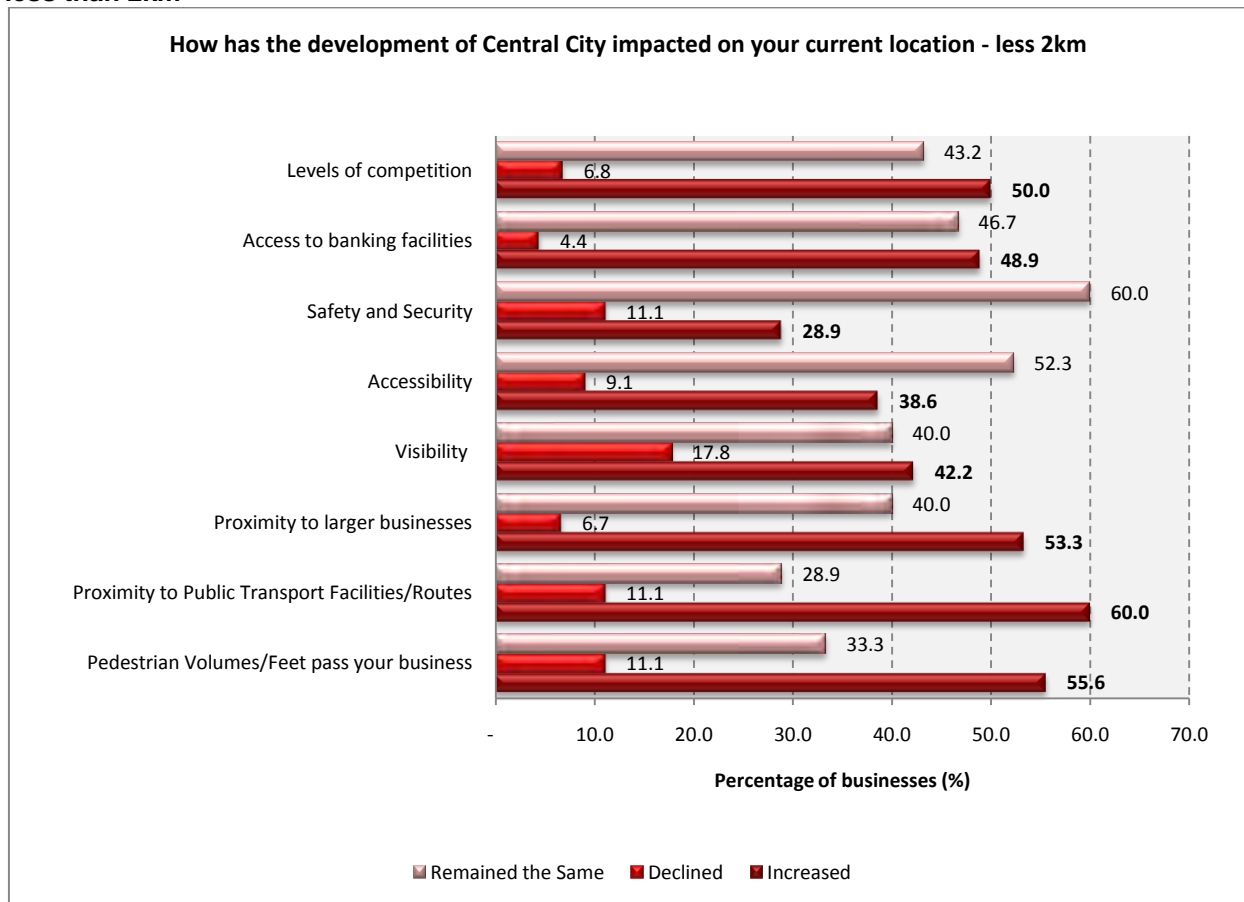
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.39)

Businesses within 2km of Central City indicated the following perceived impacts:

Overall the following increased:
- ✓ Proximity to public transport facilities and routes;
- ✓ Pedestrian volumes/feet past business;
- ✓ Proximity to larger businesses;
- ✓ To a lesser extent levels of competition, access to banking facilities and visibility.

Overall the following remained the same:
- ✓ Safety and security;
- ✓ Accessibility;

✓ To lesser extent levels of competition, access to banking facilities and visibility.

Figure 12.40: Perceived Impact of Central City on Current Location With Reference to Following – 2 to 5km

How has the development of Central City impacted on your current location - 2 to 5km

Category	Values
Levels of competition	40.9 / 9.1 / **50.0**
Access to banking facilities	63.6 / 18.2 / **18.2**
Safety and Security	60.0 / 24.4 / **15.6**
Accessibility	54.5 / 27.3 / **18.2**
Visibility	48.8 / 34.9 / **16.3**
Proximity to larger businesses	29.2 / 37.5 / **33.3**
Proximity to Public Transport Facilities/Routes	58.7 / 26.1 / **15.2**
Pedestrian Volumes/Feet pass your business	39.1 / 41.3 / **19.6**

Percentage of businesses (%)

■ Remained the Same ■ Declined ■ Increased
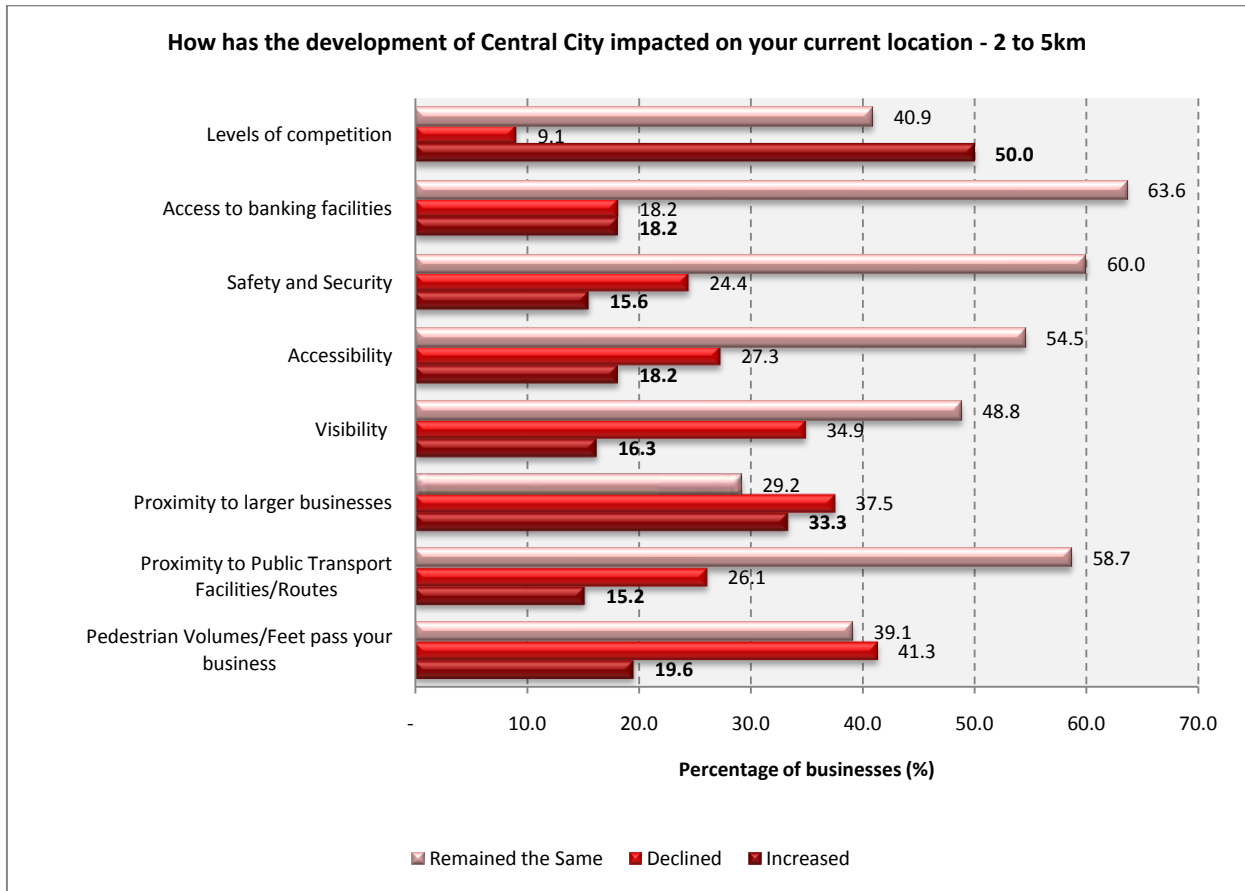
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.40)

Businesses within 2 to 5km of Central City indicated the following perceived impacts:

Overall the following increased:
✓ Levels of competition.

Overall the following remained the same:
✓ Access to banking facilities;
✓ Safety and security;
✓ Accessibility;
✓ Visibility;
✓ Proximity to public transport facilities.

Overall the following declined:
✓ Pedestrian volumes/feet past business;
✓ Proximity to larger businesses.

12.4.3.2   *Perceived Impact on Nature of Business*

Subsequent paragraphs provide insight into the nature of the business and the impact of the development of Central City thereon.

Figure 12.41: Did the Nature of your Business change before and after Development of Central City?

Did the nature of business change with development of Central City
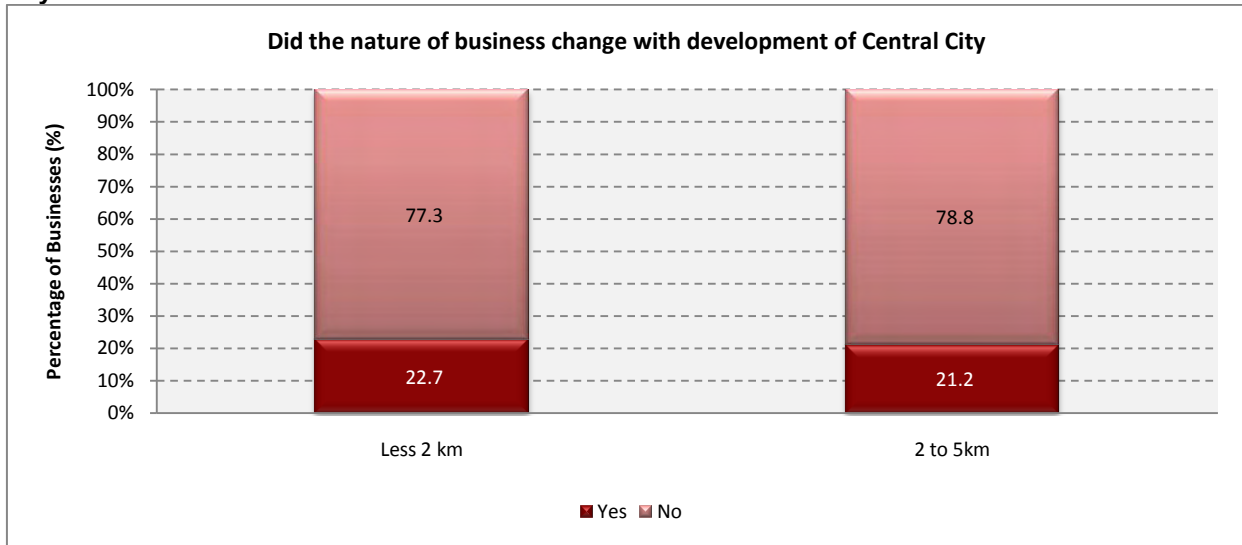
Source: Demacon Local Business Surveys, 2010

Figure 12.42: Did the nature of the dominant product or service change before and after development of Central City?

Did the nature of the main product/service change
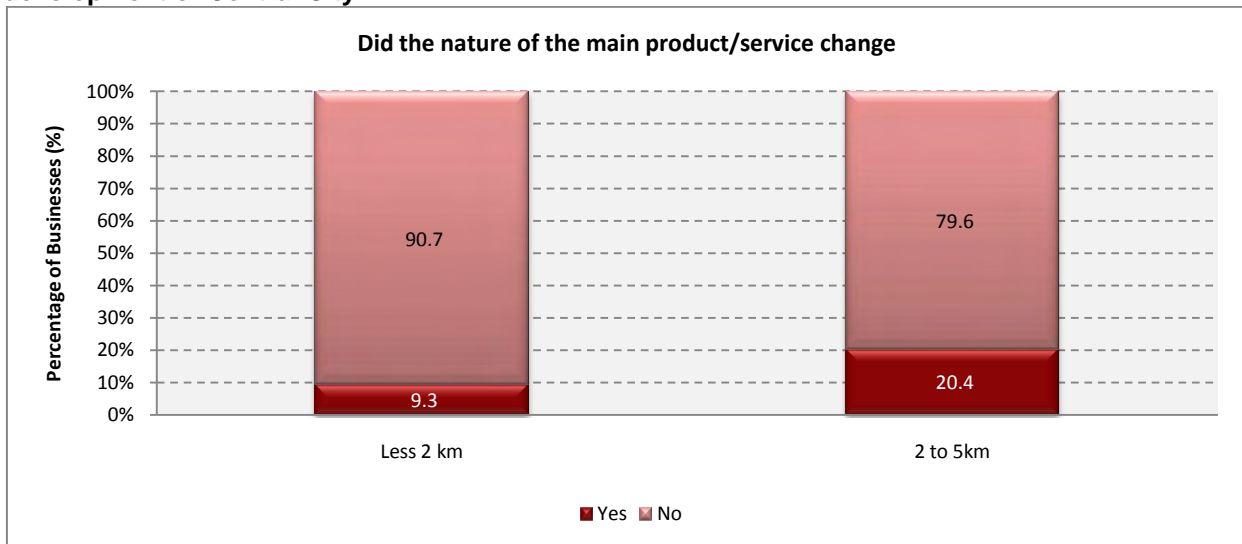
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.41 and 12.42)

✓ It is evident that a small segment of businesses have experienced a change in the nature of their businesses since the development of Central City – 21.2% to 22.7%. A certain segment of businesses reflected changes due to positive factors – increased customer base, higher levels of activity, increased visibility, easy access to stock, stock discount and proximity to suppliers. The other segment, however, reflected changes due to negative factors such as increased levels of competition.

✓ A small segment of responding businesses indicated that a change took place in their dominant products and services. Examples of these changes are listed below:

Before Central City	After Central City
Fruit & veg	Fast foods
Selling Sweets	Now selling in bulk
Fish	Sweets
Hair dos only	Hair products

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The dominant reasons for these changes include:

✓ Increased access to services;
✓ Availability of stock;
✓ Increased pressure from competing larger businesses;
✓ Increased pedestrian volumes;
✓ Poor product performance;
✓ Loss of income;
✓ High level of competition;
✓ Price competitiveness;
✓ Improved product quality;
✓ Development of surrounding area.

12.4.3.3   *Perceived Impact on Business Performance*

Subsequent paragraphs provide an indication of the impact that the development of Central City had on local business performance in terms of consumer volumes, stock movement, product range, turnover, profits and employment.   An overall perceived impact of the development of Central City on the local business environment was also indicated, as well as linkages to Central City.

Figure 12.43: How would you Measure the Performance of Your Business after development of Central City?
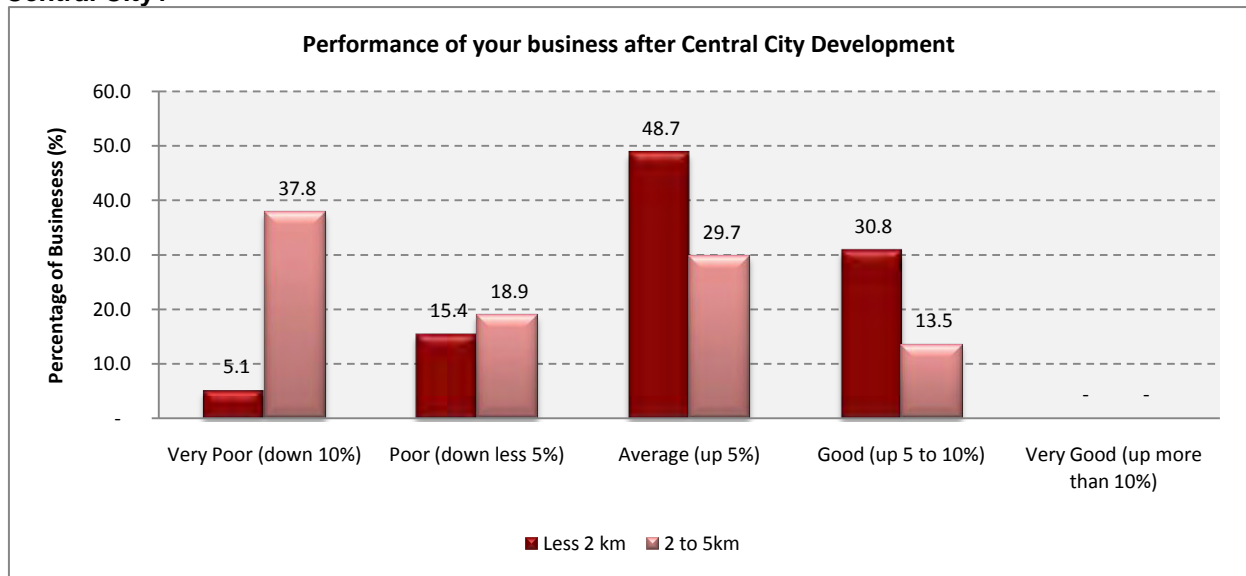
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.43)

✓ Segment within 2km: the majority of businesses indicated average performance (up 5%), supported by a relatively large segment of 30.8% indicating good business performance (up between 5% and 10%), a moderately small segment of 20.5% indicated a decline in their business performance.
✓ Segment between 2 and 5km: the larger proportion of businesses – 56.7% - reflected a poor business performance, 29.7% indicated average business performance (up 5%) and 13.5% indicated good business performance (up between 5 and 10%).

Figure 12.44: Perceived impact on business performance after Central City Development – less than 2km

Impact of development of Central City - less 2km
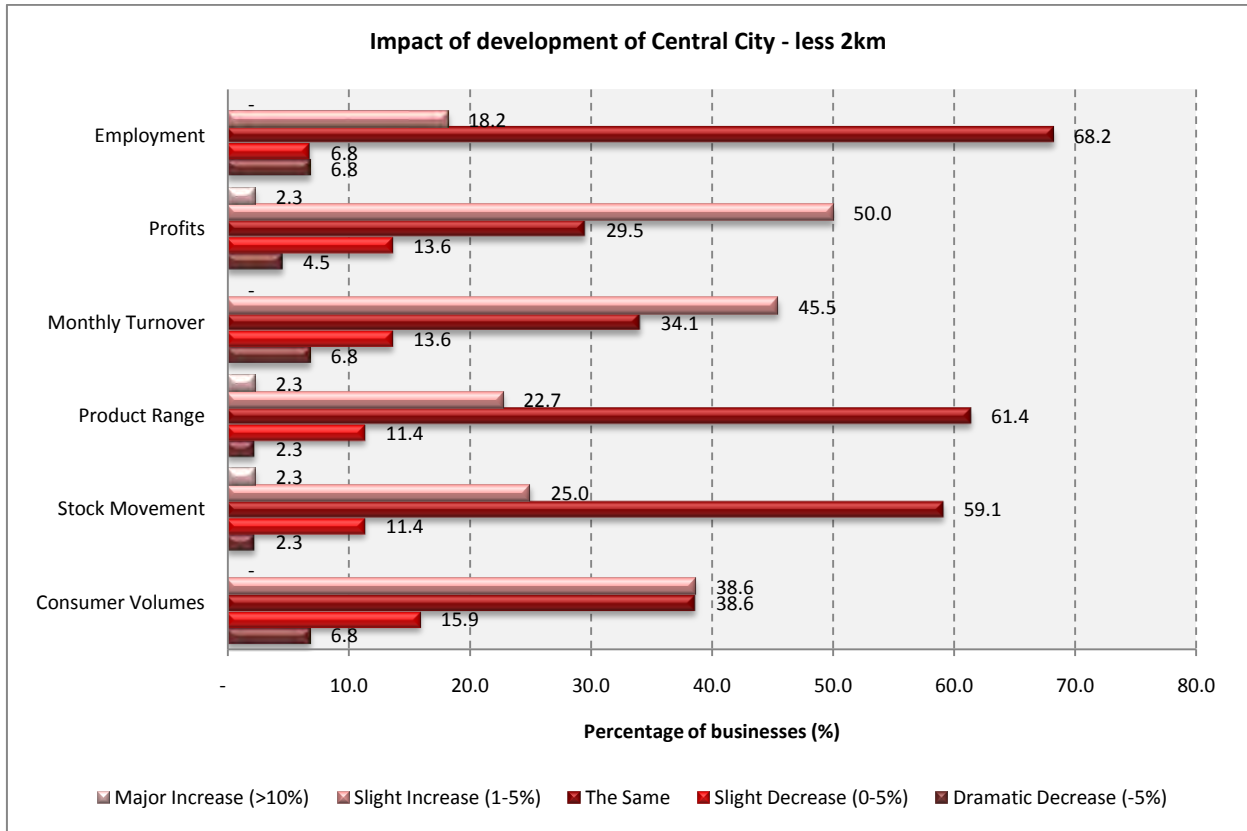
Source: Demacon Local Business Surveys, 2010

Figure 12.45: Perceived impact on business performance after Central City Development – between 2 and 5km

Impact of development of Central City - 2 to 5km
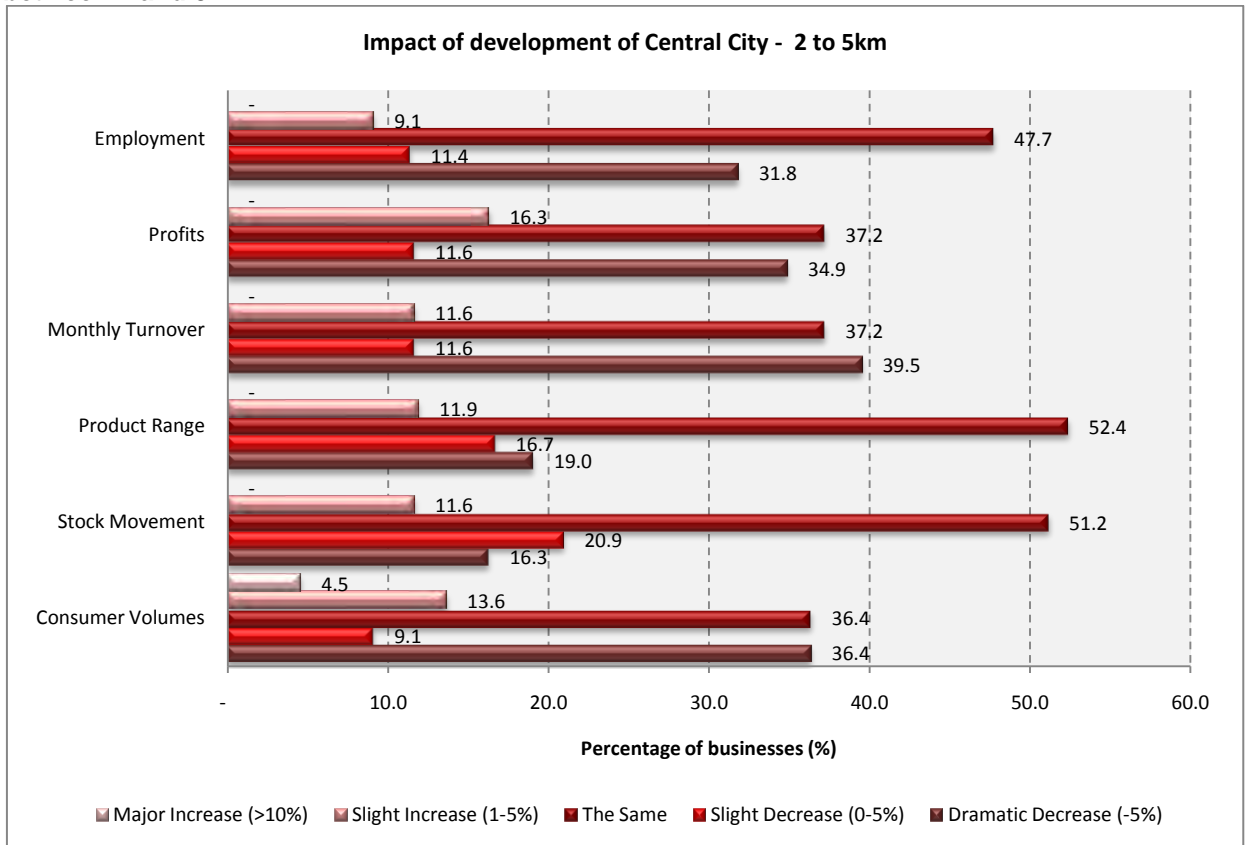
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.44 and 12.45)

Overall, the following was found:
- ✓ Employment: the majority of businesses indicated that employment remained the same.
- ✓ Profit: the larger segment reflected a slight increase in profit (50.0%), supported by 29.5% indicating that it remained the same.
- ✓ Monthly turnover: the larger segment reflected a slight increase – 45.5%, supported by 34.1% of respondents who indicated that it remained the same.
- ✓ Product range: the majority of respondents indicated that it remained the same – 61.4%, with 22.7% indicating a slight increase.
- ✓ Stock movement: the majority of respondents indicated that it remained the same – 59.1%, with 25.0% indicating a slight increase.
- ✓ Consumer volumes: an even share of businesses indicated a slight increase /stability in consumer volumes.

Overall, the following was found:
- ✓ Employment: the majority of businesses reflected that employment remained the same – 47.7%, supported by 31.8% indicating a dramatic decrease.
- ✓ Profit: the larger segment indicated that it remained the same – 37.2%, while 34.9% indicated a dramatic decrease.
- ✓ Monthly turnover: the larger segment indicated a drastic decrease – 39.5%, while 37.2% indicated that it remained the same.
- ✓ Product range: the larger segment indicated that it remained the same – 52.4%, and 19.0% indicated a dramatic decrease.
- ✓ Stock movement: the majority of respondents indicated that it remained the same – 51.2%, but 20.9% indicated slight decrease.
- ✓ Consumer volumes – evenly sized business segments indicated that consumer volumes decreased dramatically/ remained the same – 36.4% respectively.

Respondents also listed a number of factors affecting their business performance besides the development of Central City:

- ✓ 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.

Figure 12.46: What have you perceived with regard to local businesses in the areas with the development of Central City?
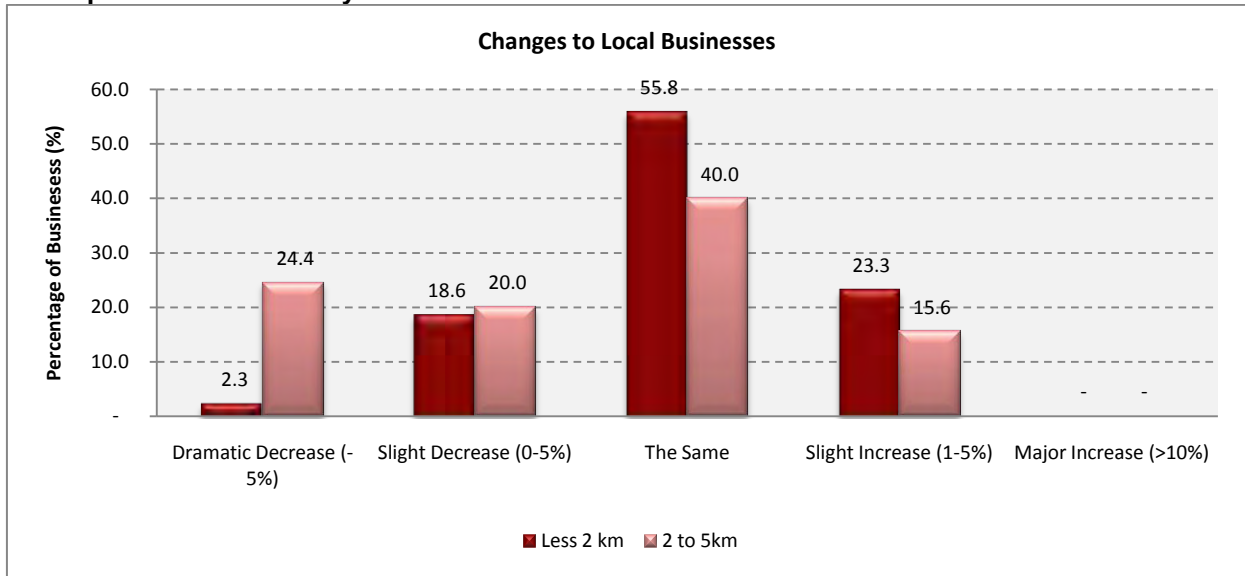
Source: *Demacon Local Business Surveys, 2010*

Findings: (Figure 12.46)

✓ In terms of the segment within 2km of Central City: 55.8% indicated that local business in the area remained the same, 23.3% indicated a slight increase in local businesses, 18.6% indicated a slight decrease and 2.3% indicated a dramatic decrease of local businesses and traders.

✓ The segment between 2 and 5km from Central City: the larger segment of respondents indicated that everything remained the same – 40.0%, 24.4% indicated a dramatic decrease, 20.0% indicated a slight decrease and 15.6% indicated a slight increase in businesses and traders.

Figure 2.47: In general would you say that the development of Central City has benefited your business?
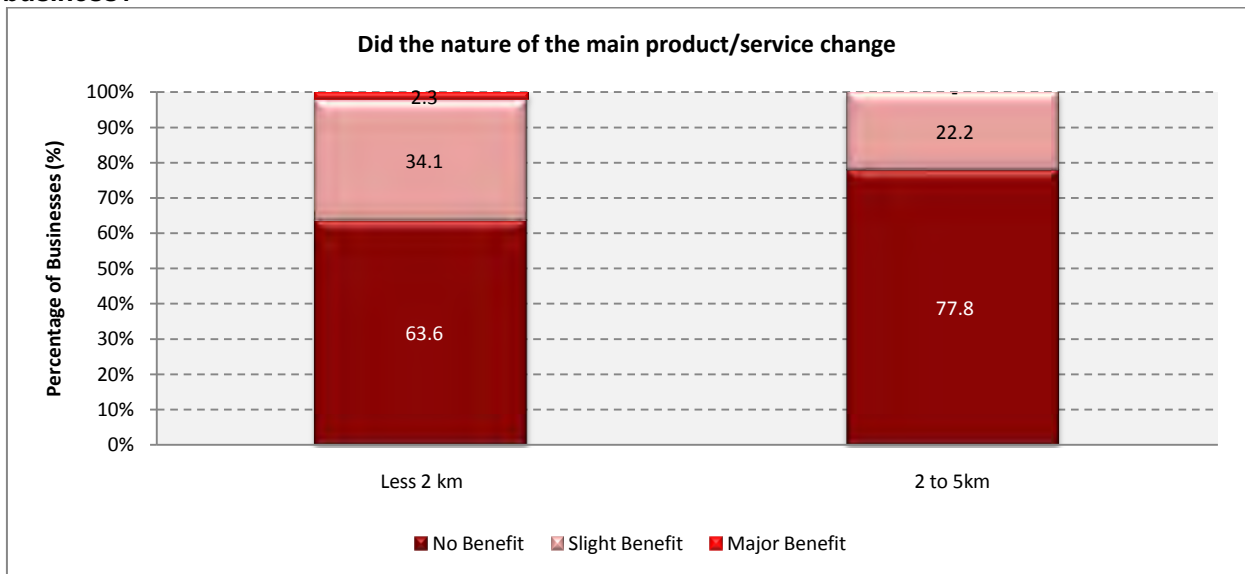
Source: *Demacon Local Business Surveys, 2010*

Figure 12.48: Dominant Suppliers
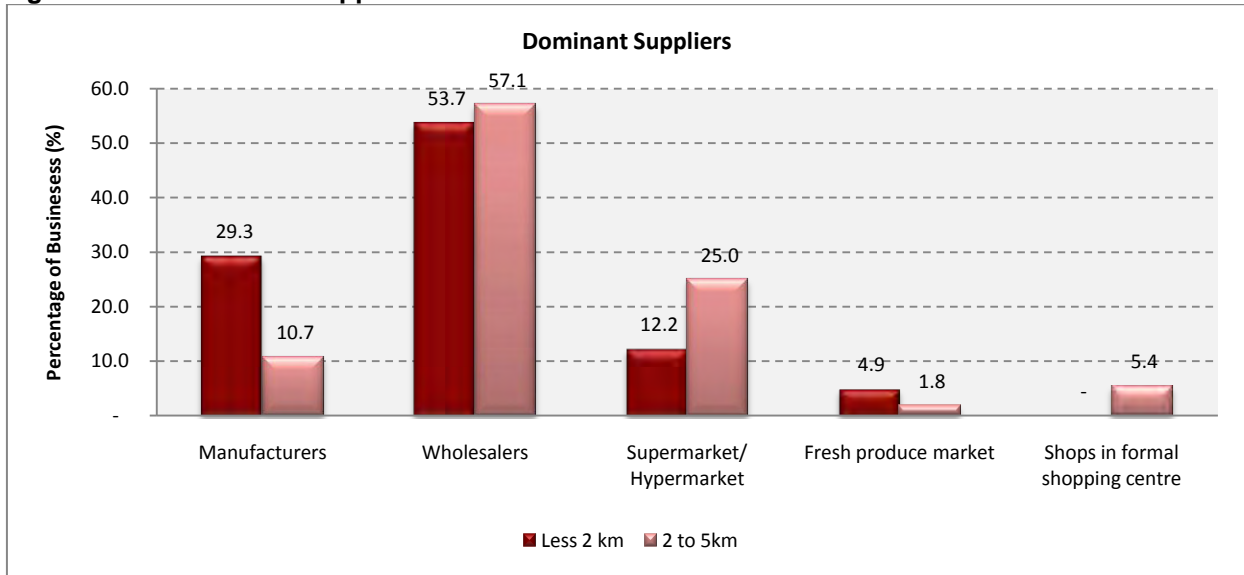
Figure 12.49: Percentage of Monthly Stock Purchased at Central City
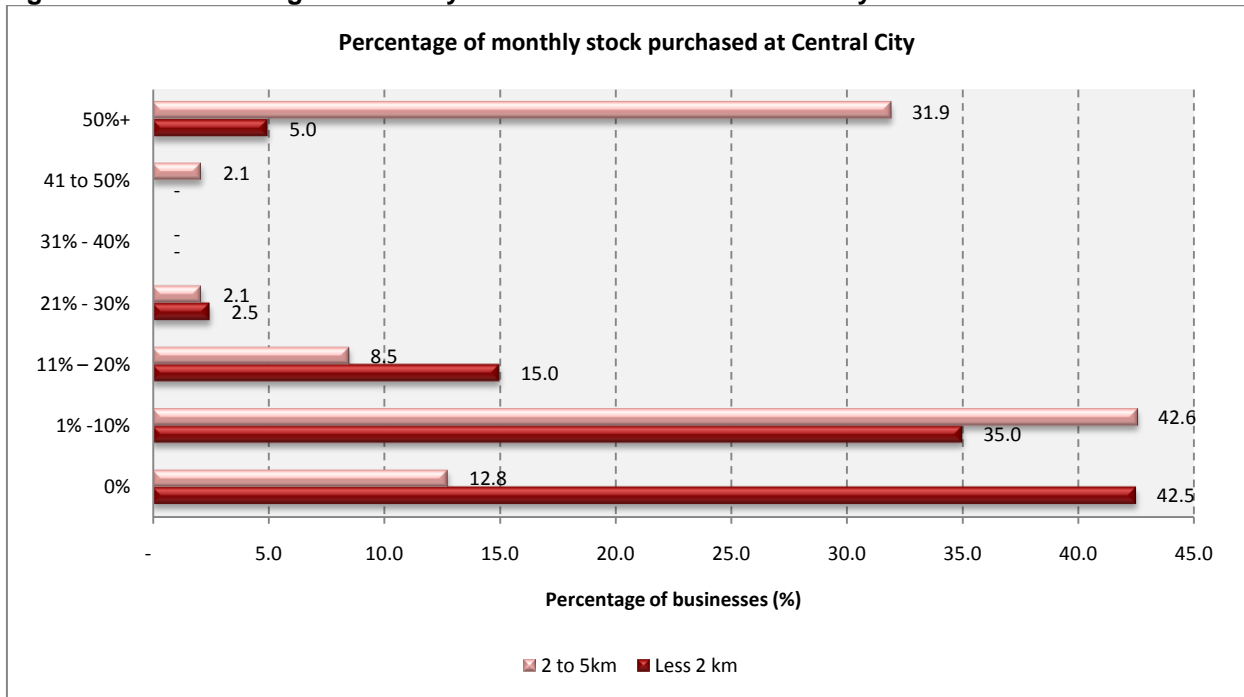
Findings: (Figures 12.47 to 12.49)

✓ In terms of the segment within 2km: 63.6% of the respondents indicated that the development of Central City had no benefit for their business, 34.1% indicated a slight benefit and 2.3% indicated major benefits.

✓ In terms of the segment between 2 and 5km – the larger segment of 77.8% indicated no benefits and 22.2% indicated a slight benefit.

✓ In general the benefits resulted from: increased consumer volumes, increasedpassing traffic, increased sales, proximity to suppliers, improved visibility, accessibility and proximity to banking facilities.

✓ In general, the dominant suppliers are represented by wholesalers, manufacturers and supermarkets/hypermarkets.
✓ It is interesting to note that the local businesses in closer proximity to Central City purchase lower percentages of monthly stock from the mall. The average weighted percentage of monthly stock purchased at Central City amounts to 7.5% for businesses within 2km and 22.5% for businesses located between 2 and 5km from the mall.

12.4.4 BUSINESS PROBLEMS AND REQUIRED SUPPORT

Table 12.7: Factors inhibiting your business from relocating to a formal retail centre such as Central City

Less 2 km	2 to 5km
1. Lack of customers	1. Lack of funding
2. Lack of funding	2. Lack of business education
3. Product recognition	3. High rentals
4. Low profit margins	4. Nature of business
	5. Inability to compete with nationals

Source: Demacon Local Business Surveys, 2010

It is evident from Table 12.7 that the dominant factors inhibiting businesses from moving to formal retail centres are: a lack of customers, lack of business funding, product recognition, informal nature of the business, high rentals, limited business growth, poor business performance, lack of business education and the inability to compete with national tenants.

Figure 12.50: Factors Inhibiting Business Growth – less than 2km
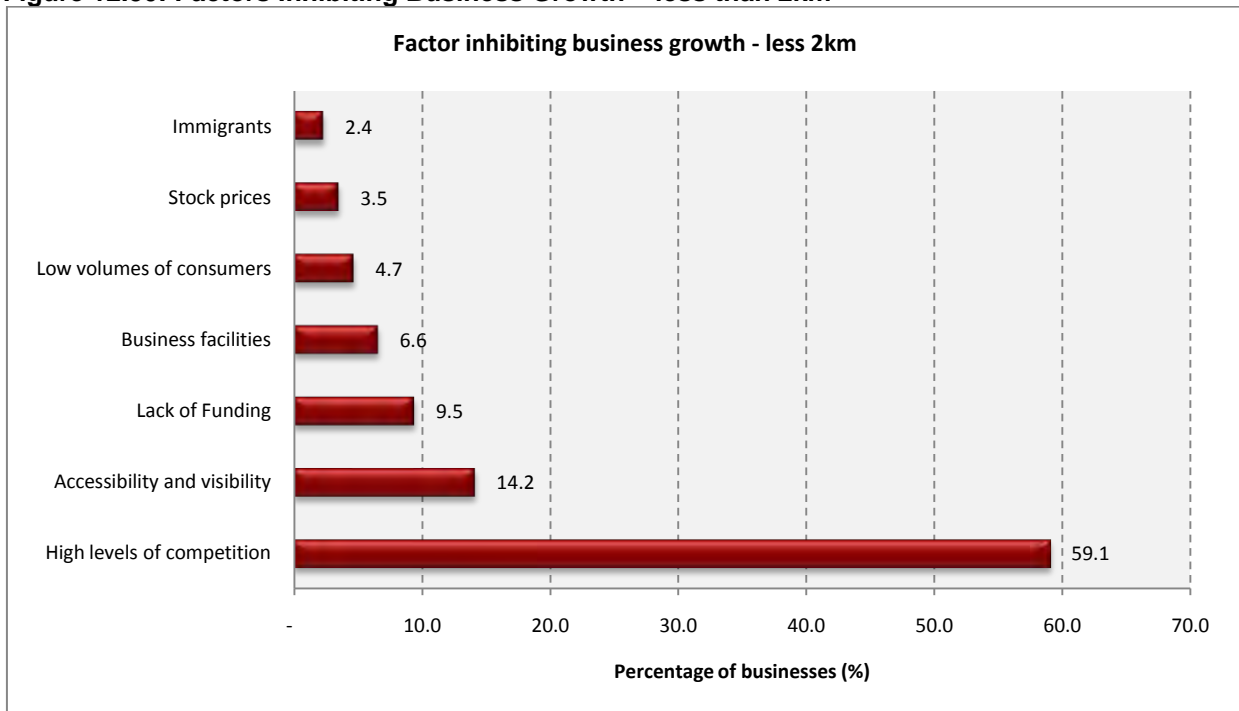
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.50 and 12.51)

In general, the dominant factors inhibiting local business growth include: high levels of competition, crime, access and visibility, lack of funding, business facilities, lack of business skills, low consumer volumes, stock prices, illegal immigrants, lack of business support, lack of government support, informal nature of business, lack of proper management and slow profit.

Figure 12.51: Factors Inhibiting Business Growth – 2 to 5km

Factor inhibiting business growth - 2 to 5km

Factor	Percentage
Slow profit	3.4
Lack of proper management	3.4
Informal nature of business	4.4
Lack of government support	5.1
Lack of unique business opportunity	6.1
Lack of business support	6.8
Stock prices	8.4
Accessibility and visibility	9.5
Lack of business skills	10.1
Lack of Funding	10.8
High levels of competition	11.8
Crime	20.3
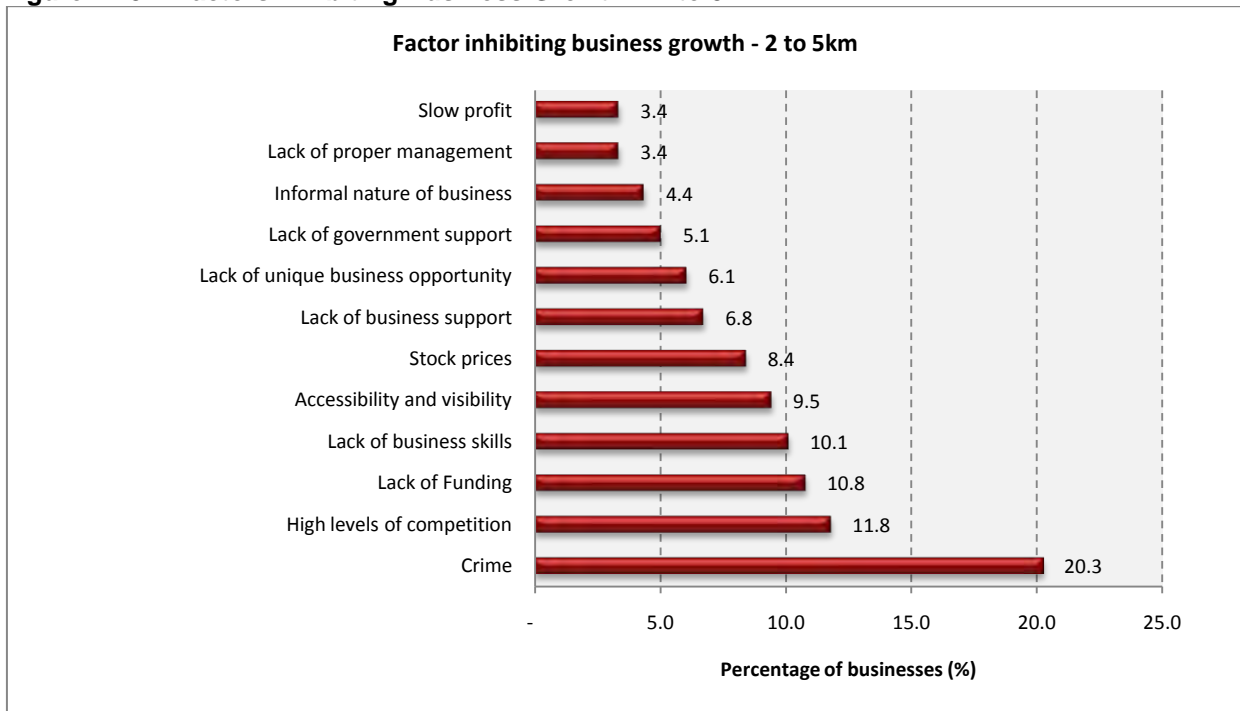
Source: Demacon Local Business Surveys, 2010

Figure 12.52: Are you aware of any business support organisations?

Aware of Business Support

	Less 2 km	2 to 5km
No	79.1	43.8
Yes	20.9	56.3
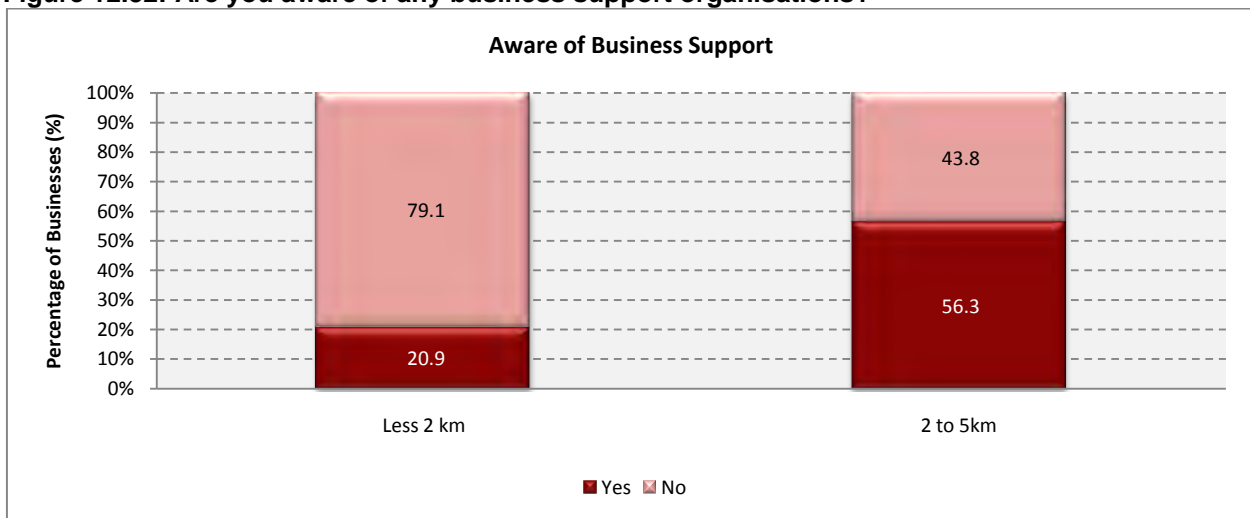
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.52 and 12.54)

✓ A moderate segment of local businesses are aware of business support organisations – 20.9% within 2km and 56.3% between 2 and 5km.

✓ A relatively small number of local businesses within 2km from Central City have been approached to participate in or undergo business training – 11.6% compared with the 56.0% between 2 and 5km from Central City

✓ The majority of local businesses believe that this type of training that it would enable their businesses to grow and would enable them to relocate to formal retail centres such as Central City.

Figure 12.53: Have you ever been approached to participate in or undergo business management training?

Ever been approached to participate/undergo business management training
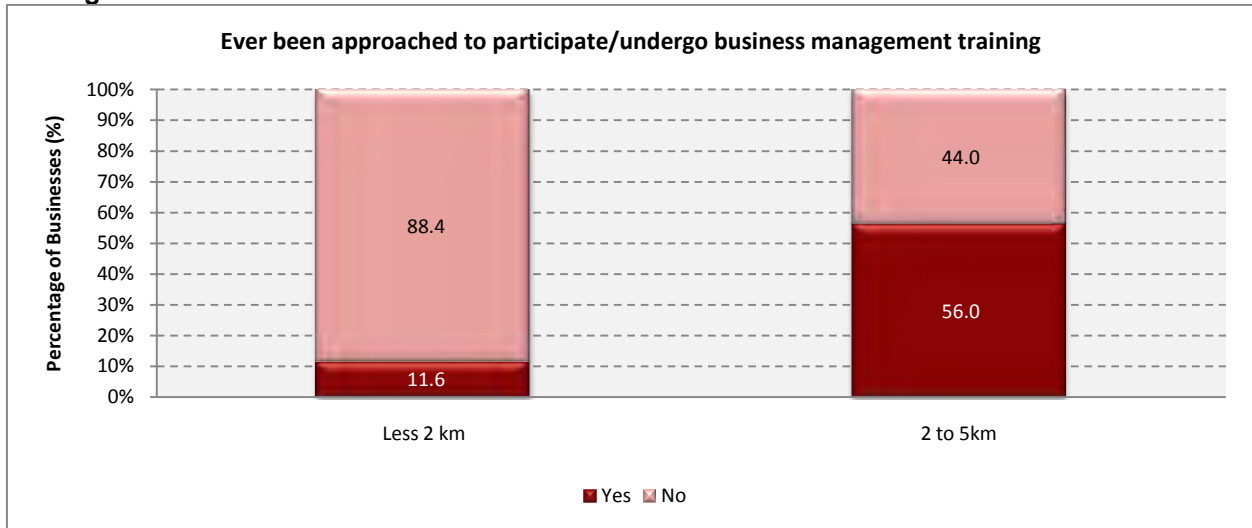
Source: Demacon Local Business Surveys, 2010

Figure 12.54: Do you believe such training would enable your business to grow and eventually locate to modern shopping mall?

Perception that training will enable business to grow and eventually locate to retail mall
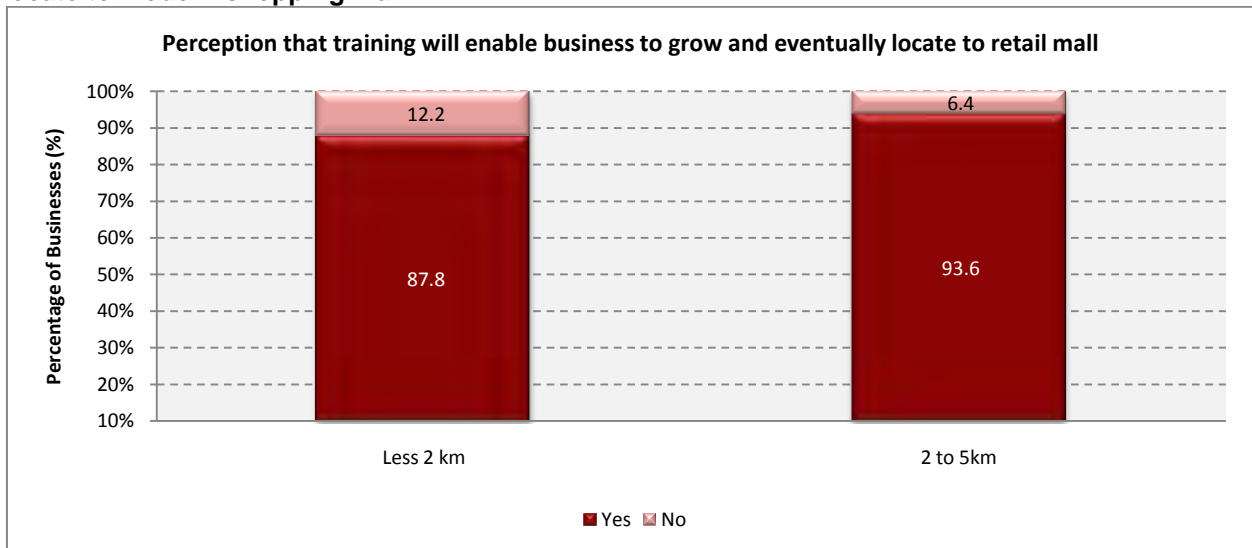
Source: Demacon Local Business Surveys, 2010

Figure 12.55: Would you accept such training if it were offered?

Accept Training if Courses were Offered

Source: Demacon Local Business Surveys, 2010

It is also evident that the majority of these local businesses indicated that they would accept training if it were offered – 93.3% to 97.6%.

Local businesses also ranked their business support requirements – as indicated in Table 12.8.

Table 12.8: Ranking of Business Support Requirements

	1	2	3	4	5	
Segment – less 2km						
Financial support	2.4	-	17.1	17.1	63.4	100
General business skills training	2.4	-	19.5	22.0	56.1	100
Legal advice	2.4	2.4	12.2	29.3	53.7	100
Business planning advice	2.4	-	14.6	34.1	48.8	100
Marketing assistance	2.4	-	17.1	31.7	48.8	100
Produce research and information	2.4	-	9.8	39.0	48.8	100
Communication assistance	2.4	4.9	2.4	41.5	48.8	100
Technical assistance	2.4	4.9	4.9	34.1	53.7	100
Networking forums	2.4	4.9	4.9	34.1	53.7	100
Physical facilities	2.4	2.4	4.9	34.1	56.1	100
Segment –2 to 5km						
Financial support	-	2.3	2.3	11.6	83.7	100
General business skills training	-	-	4.9	12.2	82.9	100
Legal advice	-	-	12.2	14.6	73.2	100
Business planning advice	-	2.4	4.8	11.9	81.0	100
Marketing assistance	-	2.4	4.8	16.7	76.2	100
Produce research and information	-	-	10.0	17.5	72.5	100
Communication assistance	-	2.4	11.9	14.3	71.4	100
Technical assistance	-	4.9	9.8	17.1	68.3	100
Networking forums	-	2.4	11.9	16.7	69.0	100
Physical facilities	-	4.8	14.3	9.5	71.4	100

Source: Demacon Local Business Surveys, 2010

Overall, the following business support requirements are evident:
✓ Segment within 2km: financial support, general business skills, physical facilities, legal advice, technical assistance, networking forums, business planning advice, marketing assistance, communication assistance and product research and information.
✓ Segment between 2 and 5km: financial support, general business skills training, business planning advice, marketing assistance, legal advice, product research and information, physical facilities, communication assistance, networking forums, technical assistance.

12.4.5 BUSINESS OWNER AND BUSINESS INFORMATION

Subsequent paragraphs provide background information on the business owner in terms of racial profile, gender profile, age profile, highest level of education, business training, previous work experience, reasons for starting a business. They also provide information pertaining to the business itself - age of the business, number of employees, access to facilities and services, business planning, bank products and average monthly business turnover.

Table 12.9: Business Owner Information

	Less 2 km	2 to 5km
Racial Profile		
Black	**97.7**	**96.2**
Coloured	-	3.8
Indian/Asian	2.3	-
White	-	-
Gender Profile		
Male	**70.7**	**74.0**
Female	29.3	26.0
Age Profile		
16-24 yrs	2.3	15.7
25 -34 yrs	**20.9**	**31.4**
35 – 49 yrs	**48.8**	**27.5**
50yrs+	27.9	25.5

	Less 2 km	2 to 5km
Highest Level of Education		
No schooling	20.9	2.0
Primary	7.0	6.0
Some secondary	**44.2**	**40.0**
Matric	**23.3**	**46.0**
Post matric qualification	2.3	2.0
Bachelors degree	2.3	2.0
Any post graduate degree	-	2.0
Any form of Business Training		
Yes	**29.3**	**28.3**
No	70.7	71.7
Where were Skills Learned		
Self taught	**76.7**	**64.0**
Family	16.3	6.0
Previous job	2.3	8.0
Training programme	2.3	12.0
Mentor/advisor	-	6.0
Tertiary institution	2.3	4.0
Previous Work Experience		
None	**48.8**	**35.3**
1 Year	-	11.8
2 Years	9.3	15.7
3 Years	7.0	7.8
5 Years	11.6	9.8
10 Years	11.6	3.9
10 Years+	11.6	15.7
Motivation for Starting Own Business		
Wanted to own business	**62.8**	**44.9**
Couldn't find another job	4.7	18.4
Was retrenched	-	12.2
For survival/income purposes	18.6	24.5
Business was inherited	7.0	-
Religious regions	7.0	-

Source: Demacon Local Business Surveys, 2010

Findings: (Table 12.9)

✓ Business owners in general represent African black males between the ages of 25 and 49 years.
✓ The largest segment of business owners reflected highest education levels of some secondary and matric levels (4.6% to 6.0% indicated post matric education levels).
✓ A small segment of business owners have some form of business training – 28.3% to 29.3%.
✓ Skills are mainly self-taught, or learned from family members and, to a lesser extent, through training programmes.
✓ A relatively large segment of business owners have no previous work experience - 48.8% to 35.3%, 27.9% to 45.1% of business owners have less than five years work experience and 19.6% to 23.3% have more than ten years previous work experience.
✓ The dominant motivation for starting their own business is wanting to own their own business and needing to do so for survival purposes.

Figure 12.56: Ownership of Business Premises
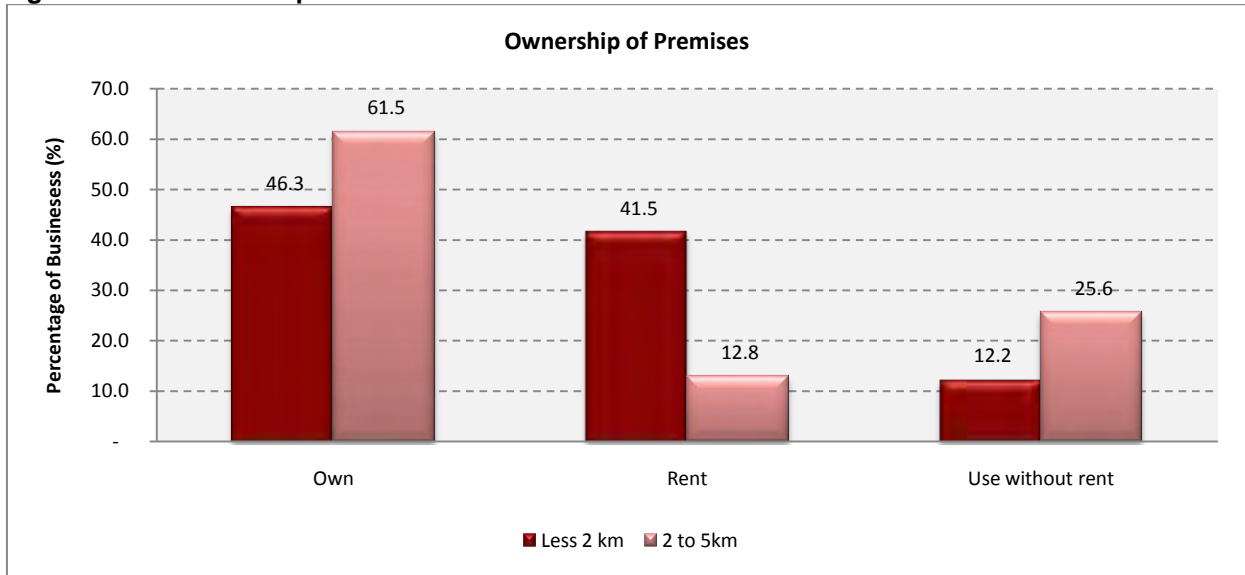
Source: Demacon Local Business Surveys, 2010

Figure 12.57: Access to Facilities, Equipment and Services
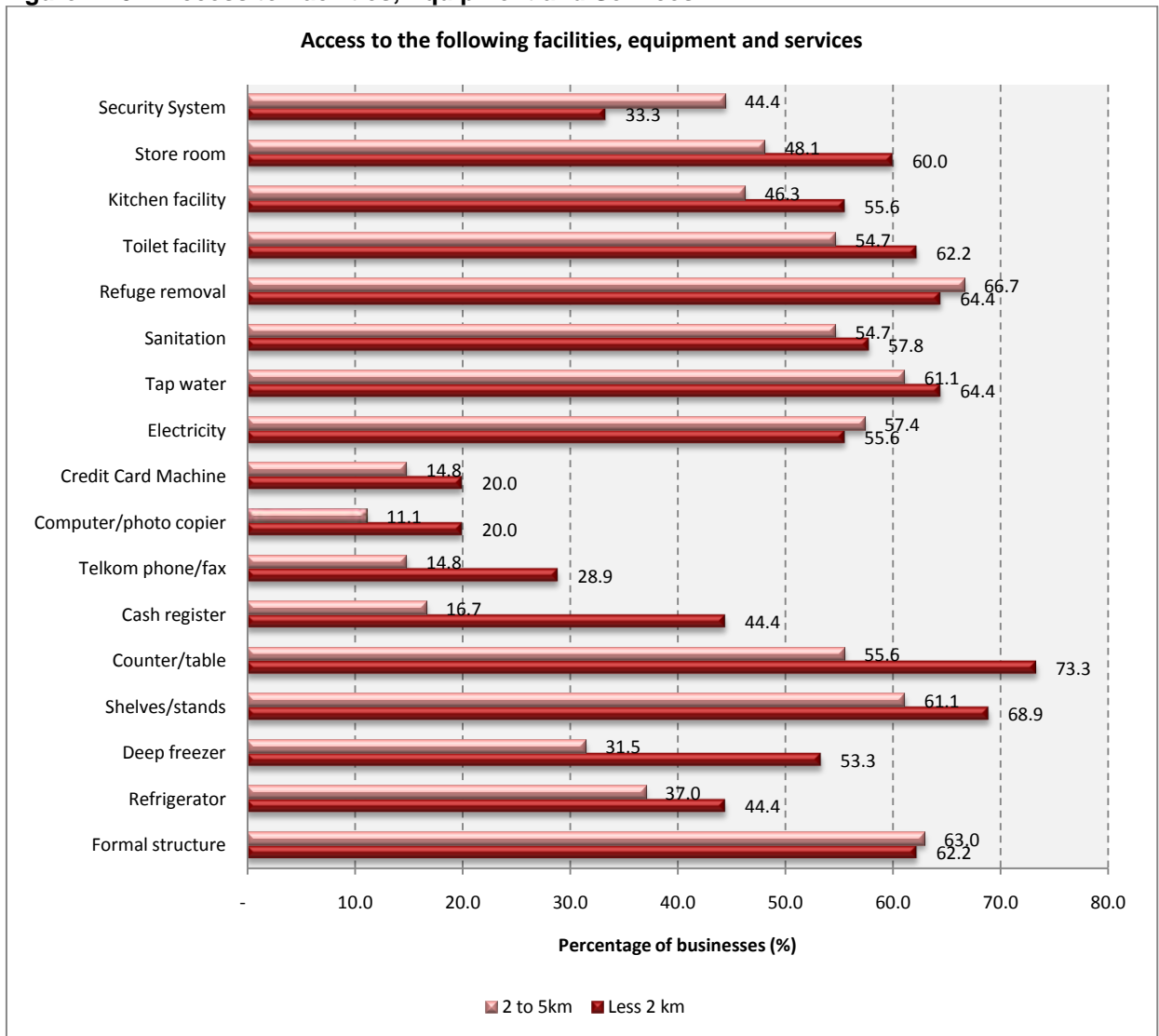
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.56 and 12.57)

✓ The larger segment of local businesses own their business premises, followed by medium sized segment renting premises and a small segment occupying premises without paying rentals.

✓ In general, businesses have access to at least the following:

  • Segment within 2km: counter/table, shelves/stand, tap water, refuse removal, formal structure, toilet facility, storeroom/store facilities, sanitation and electricity.

  • Segment between 2 and 5km – refuse removal, formal structure, shelves/stands, tap water, electricity, counter/table, sanitation and toilet facility.

Figure 12.58: Do you have any form of business planning for your business?

Do you have any form of business planning for your business

Category	2 to 5km	Less 2 km
Business Strategy	31.5	6.7
Financial Records	35.2	31.1
Marketing Plan	33.3	8.9
Budget	50.0	33.3
Business Plan	42.6	42.2

Percentage of businesses (%)

■ 2 to 5km   ■ Less 2 km
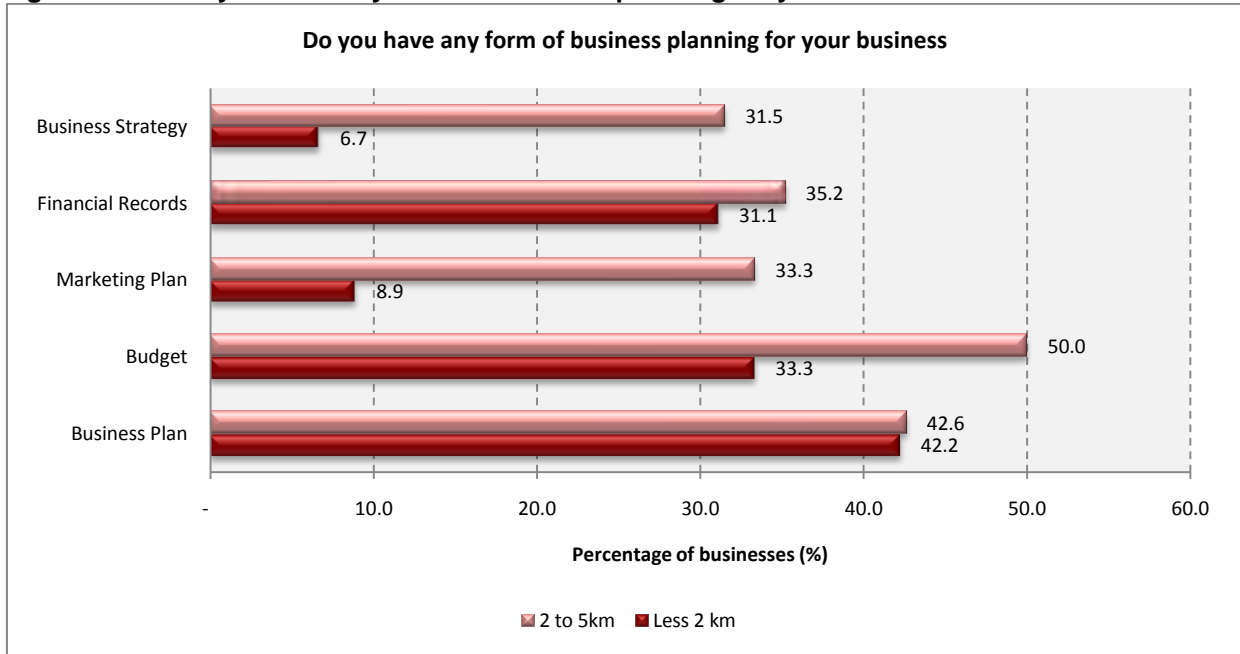
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.58 and 12.59)

✓ In terms of forms of business planning, it is evident that only business plans featured in the planning of a segment of local businesses – 42.2% to 42.6%. This is followed by a slightly smaller segment utilising a budget and financial records. To a lesser extent use is made of a marketing plan or business strategy.

✓ In terms of banking products utilised as part of the businesses, the following was found: savings accounts or current accounts with ATM cards represent the dominant bank products utilised. Other products used to a lesser extent include cheque accounts, debit cards, internet banking, garage cards, investment accounts, fixed deposit bank accounts and credit cards.

✓ In terms of the experience with banks the following is evident: businesses obtained support, it is difficult to obtain loan, interest rates are high, bank charges are high, it takes a long time to process loan applications. However, the bank is generally viewed as a safe place to save money.

Figure 12.59: Bank Products Utilised as Part of Business

Utilisation of the following banking products as part of business
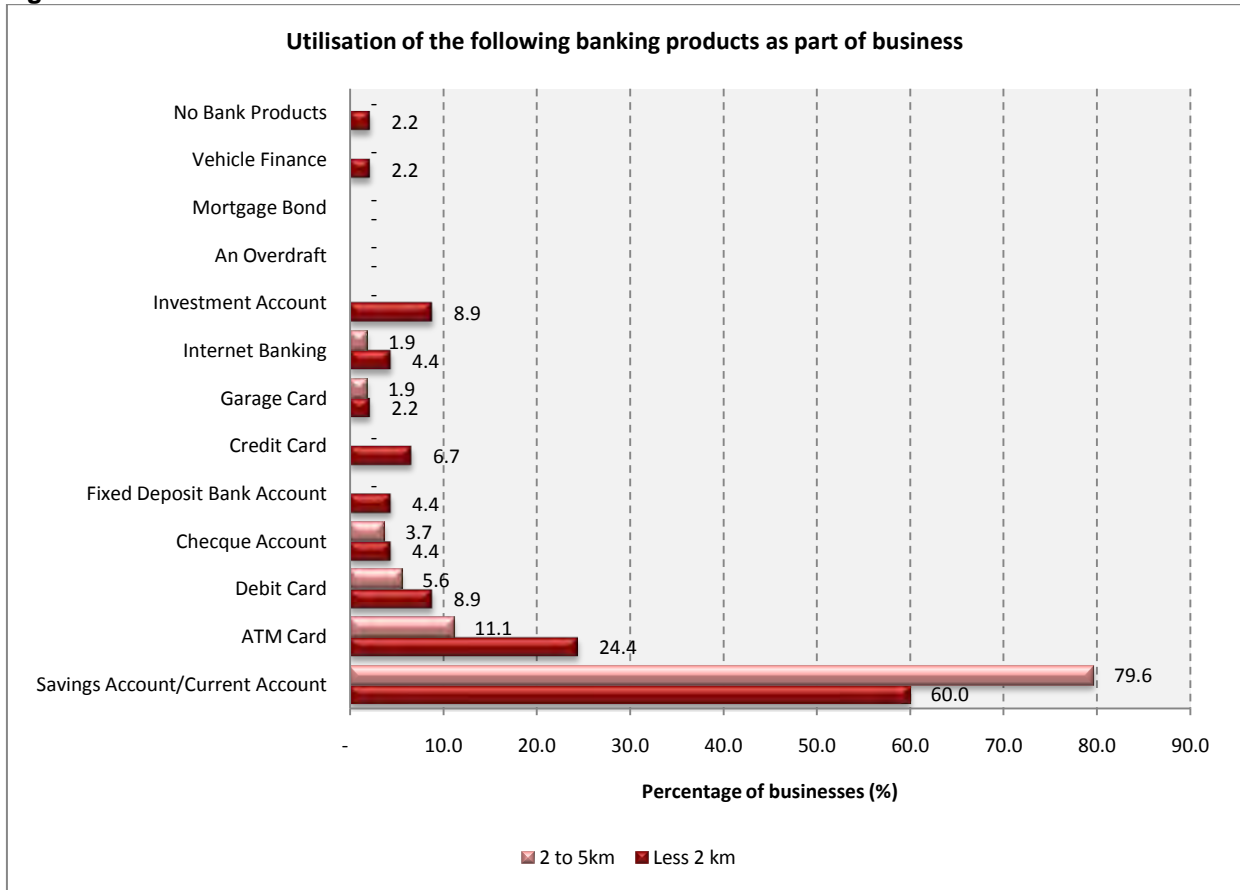
Source: Demacon Local Business Surveys, 2010

Figure 12.60: Average Monthly Business Turnover

Average Monthly Business Turnover
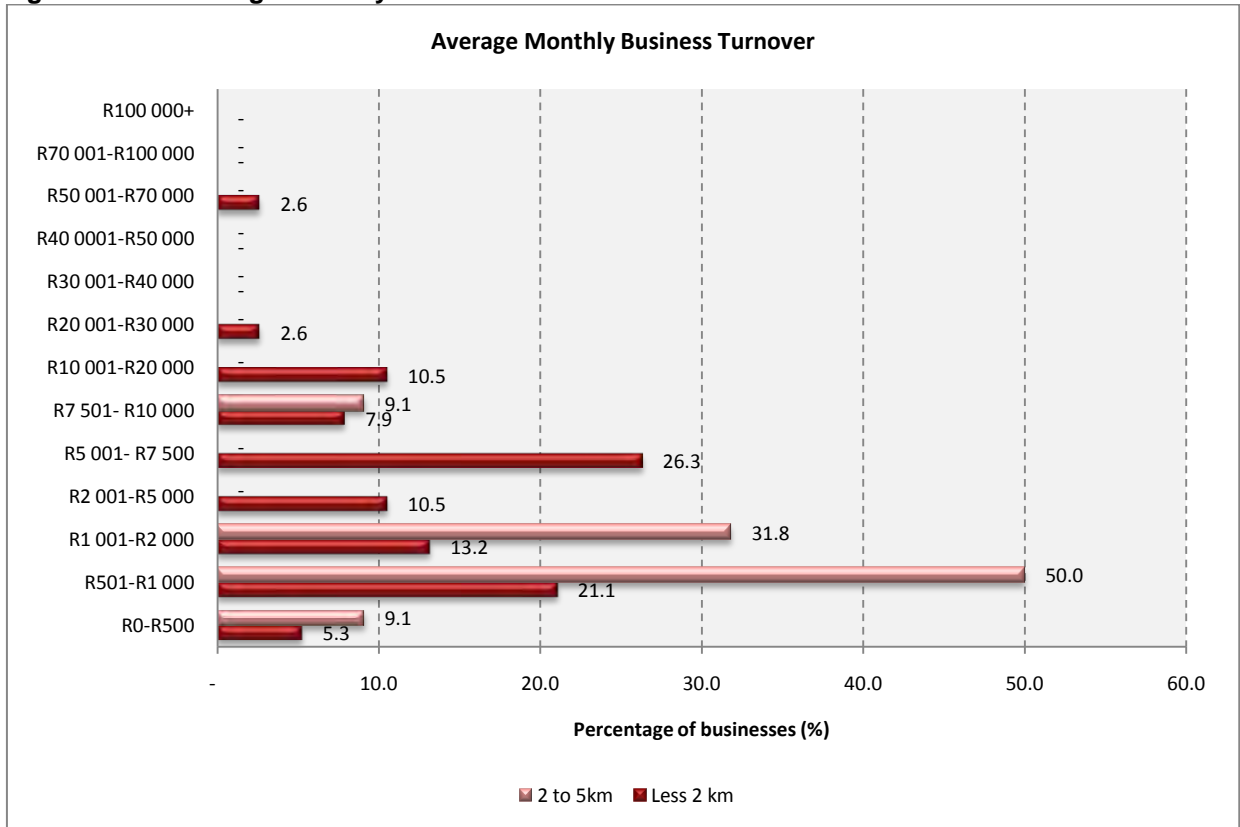
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.60)

✓ Businesses within 2km reflected higher average monthly incomes than businesses located further away from the centre. The average weighted monthly business income amounts to R6 888.6, and for the segment between 2 and 5km, to R1 670.9.

12.5   THULA PLAZA IMPACT ON LOCAL BUSINESS ENVIRONMENT

Subsequent paragraphs examine the findings of the local business surveys conducted around Thula Plaza. Surveys were conducted with informal traders, spaza shops and local businesses and retailers within 1km, 2km, 3km, 4k and 5km from Thula Plaza – Refer to Map 12.3. Findings are also presented in terms of two segments – businesses within 2km from Thula Plaza and those within 2 to 5km from Thula Plaza.

12.5.1 BUSINESS CLASSIFICATION

This section provides general information on the type of business, the industry the business is involved in and their main product or service.

Figure 12.61: Type of Business
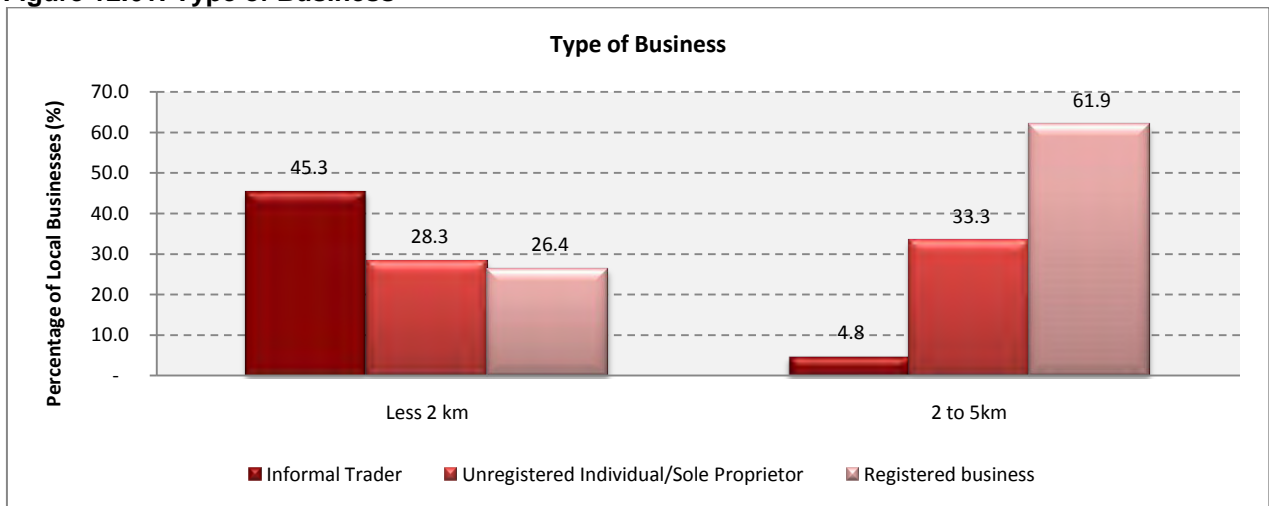
Source: Demacon Local Business Surveys, 2010

Figure 12.62: Industry Involved In
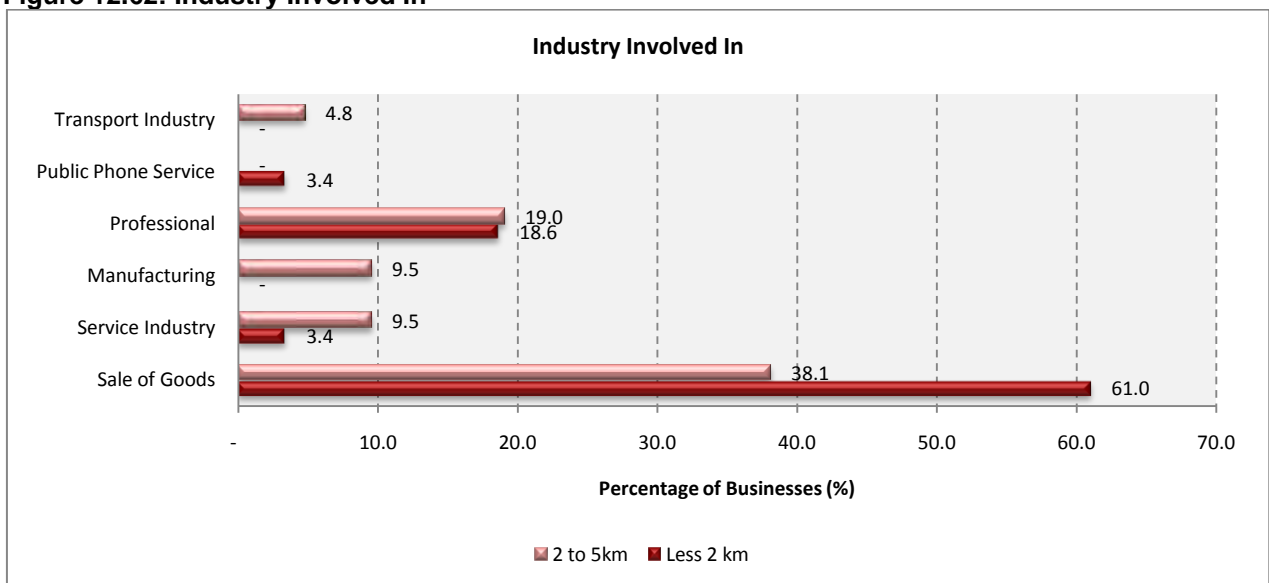
Source: Demacon Local Business Surveys, 2010

Map 12.3: Thula Plaza Business Survey Radiuses

Map of Site With 1 - 5km Radius

Edinburgh

Dingleydale

Thulamahaxi

Thula Plaza

New Forest A

Rolle

Amashang

	1 - 5km Radius		Streets	National Roads	
				MAIN ROAD	
				NATIONAL ROAD	

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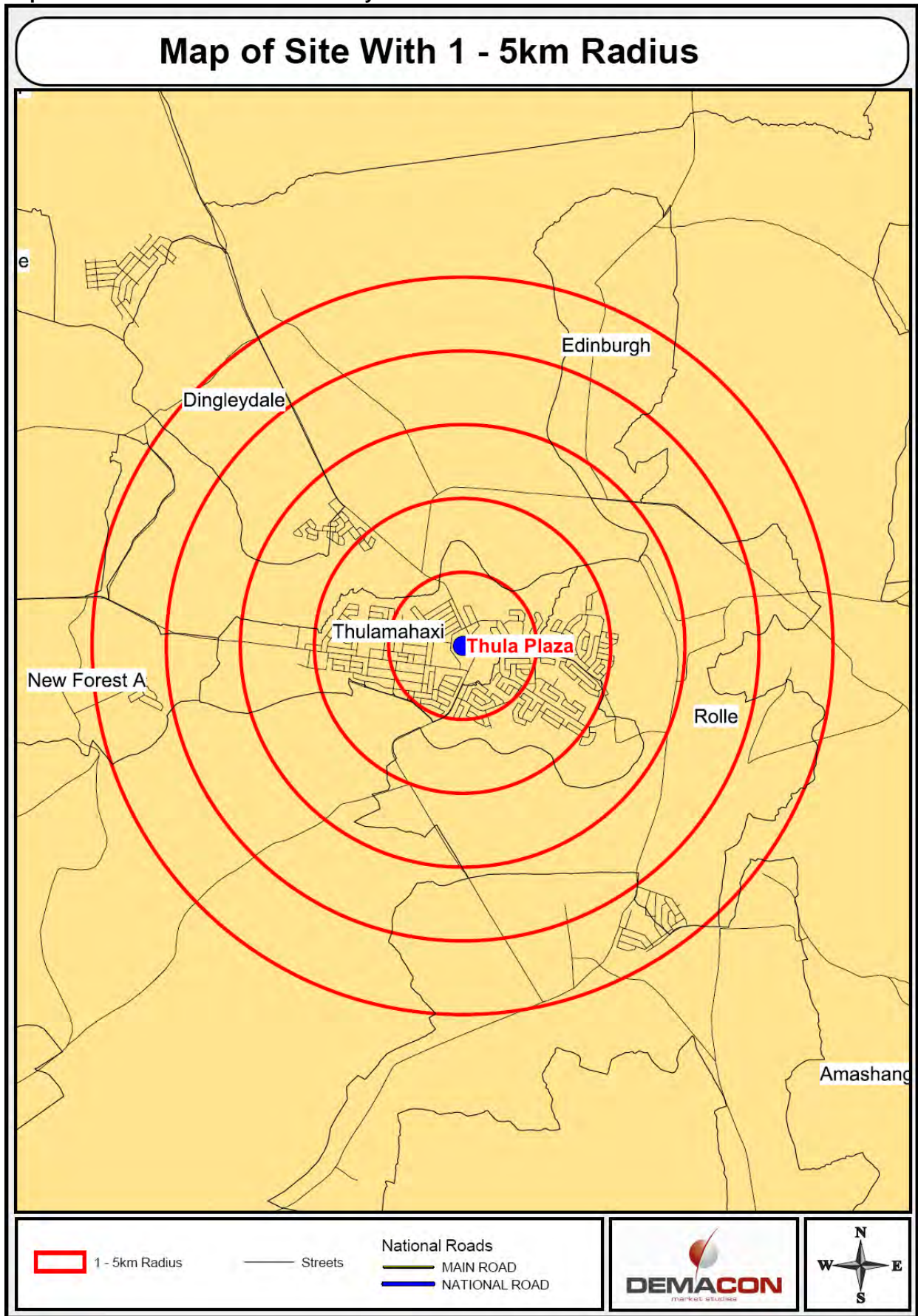
Table 12.10: Main Product and Services

	Less 2km	2 to 5km
1	**Groceries**	**Groceries**
2	Hairdresser	Traditional healing
3	**Fast foods**	Taxi services
4	Fresh produce	Meat
5	Beer	Top-up groceries
6	Cold drinks	Internet café
7	Music entertainment	**Fast foods**
8	Phone repairs	Legal advice/lawyers
9	Business services	Computer repairs
10	Books	Chemicals

Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.61 to 12.62 and Table 12.10)

✓ The types of businesses surveyed include informal traders, registered and unregistered businesses.

✓ The industry they are involved in is largely the sale of goods for both segments. The less than 2km market segment reflects a representation of professional services, public phone services and service industries.   The 2 to 5km market segment also reflects a representation of professional services, service industries, manufacturing and transport services.

✓ The main products and services constituting the largest proportion of business income varies between the two market segments, with only groceries and fast foods being ranked under the top ten products of each area. These are followed by hairdresers, fresh produce, beer, cold drinks, music, phone repairs, business services, books, traditional healing, taxi services, meat, top up groceries, internet cafe, legal advice, computer repairs and chemicals.

12.5.2 CURRENT LOCATION AND LOCATION REQUIREMENTS

Subsequent paragraphs provide information on preferences regarding business location, reasons for current location, opinions in terms of the advantages of being located in proximity to, or within, formal retail centres and the ability to afford rentals within a formal centre.

Findings: (Figures 12.63 and 12.64)

✓ In terms of the dominant location preferences it is evident that the following aspects ranked highly: location along a busy street (public transport route), safe and secure area, visible area, close to banks, close to services, close to public facilities and close to taxi ranks.

✓ In terms of reasons underlying their current location choices the following prevailed: high foot count, high levels of activity, larger businesses attract consumers, more people, quality business premises, lower rentals, access to services and visibility.

✓ Other reasons provided by respondents included convenience due to location in proximity to houses, no rentals, trading from home.

Figure 12.63: From a Business Point of View Where do you Want to be Located?

Location Preferences
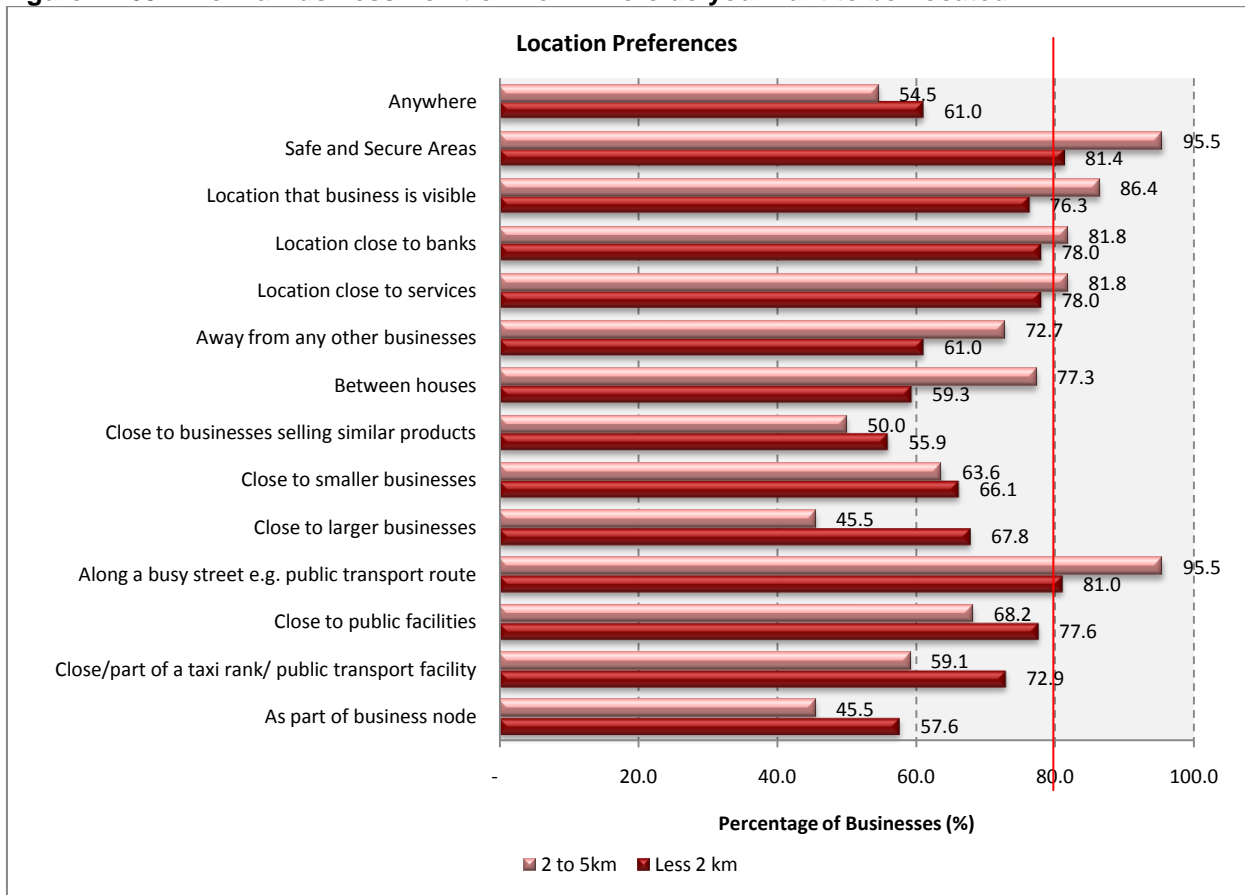
Source: Demacon Local Business Surveys, 2010

Figure 12.64: Reasons for Current Location

Reasons for your current location

Source: Demacon Local Business Surveys, 2010

Figure 12.65: Given the Nature of Your Business in your Opinion Would you be better off Situated Near a shopping mall near passing traffic or inside the Mall itself?
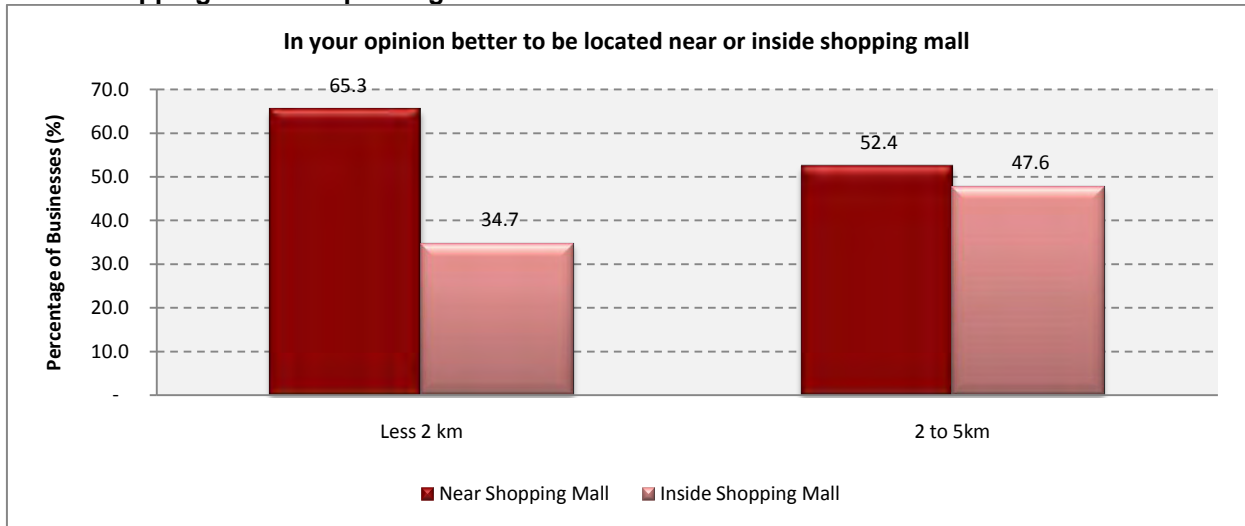
Source: Demacon Local Business Surveys, 2010

Figure 12.66: Do you think you can afford rentals commanded within a modern mall?
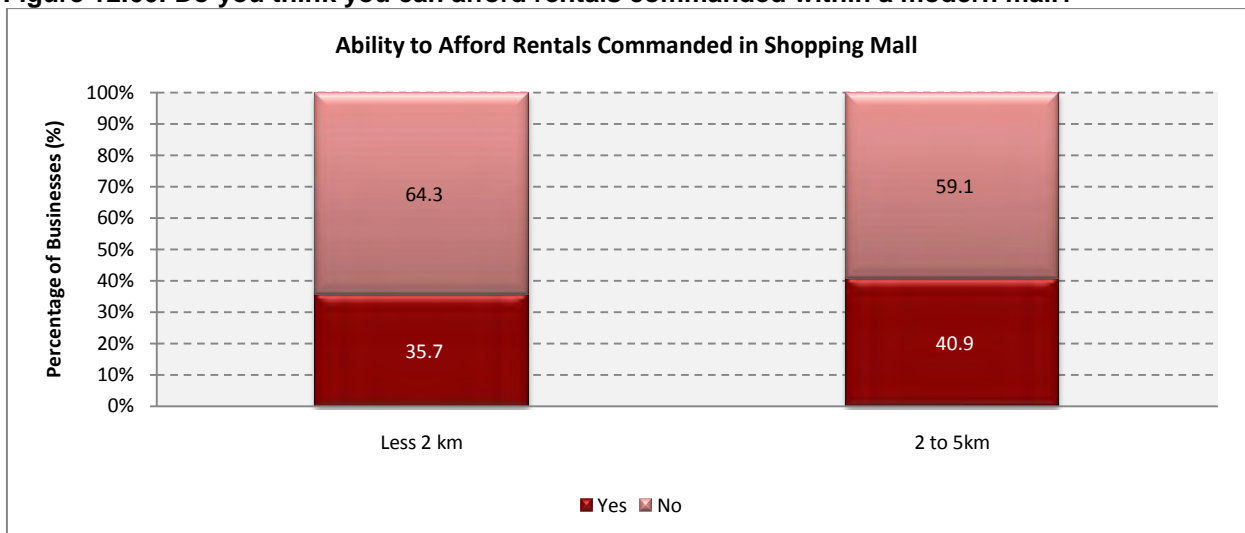
Source: Demacon Local Business Surveys, 2010

Figure 12.67: Do you think your business would be able to grow over time to afford such rentals?
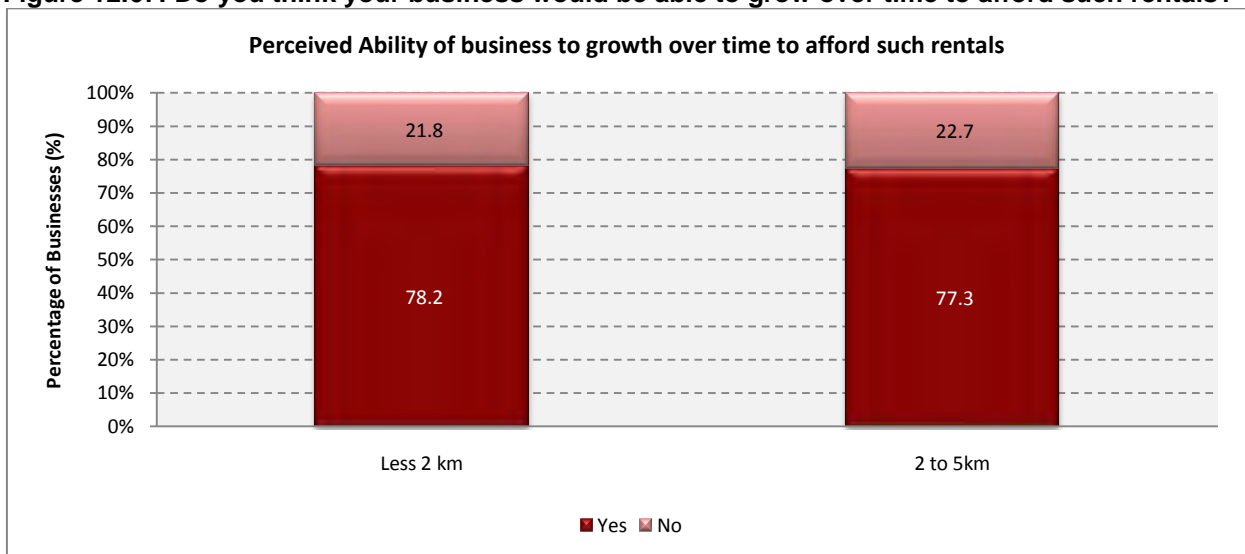
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.65 to 12.67)

✓ The segment within 2km: the majority indicated that they would prefer a location near a shopping mall to being located within a formal shopping mall. The majority of businesses (64.3%) also indicated that they feel that they would be able to afford mall rentals. The majority of businesses (78.2%) also indicated that they feel their businesses will be able to grow over time to afford such rentals.

✓ The segment between 2 and 5km – the majority preferred a location near a formal retail centre. A total of 59.1% indicated that they feel they are able to afford mall rentals, and the majority – 77.3% - indicated that they do feel that their businesses would mature to be able to afford such rentals.

12.5.3 PERCEIVED IMPACT OF FORMAL RETAIL CENTRE ON BUSINESS

Subsequent paragraphs provide insight into the impact that the development of the formal retail centre had on the location of the businesses, its impact on the nature of the businesses and the impact on business performance.

12.5.3.1   *Perceived Impact on Location*

Subsequent paragraphs provide insight into the current location of the businesses and the manner in which the development of Thula Plaza had an impact on their current location.

Figure 12.68: Were you trading in this specific location before the development of Thula Plaza?
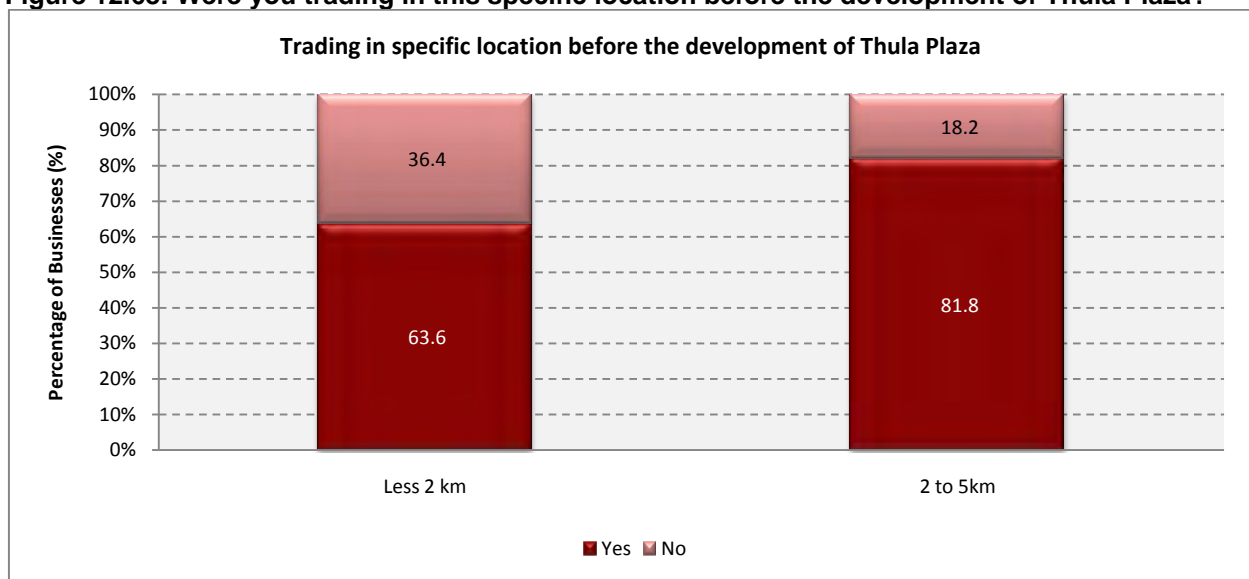
Source: Demacon Local Business Surveys, 2010

✓ The majority of respondents indicated that they had been trading in the same location before the development of Thula Plaza.

✓ The largest segment of respondents within 2km, who indicated that they relocated after the development of Thula Plaza, is represented by informal traders (70.6%), registered businesses (17.6%) and unregistered entities/sole proprietors (11.8%).

✓ The segment of respondents between 2 and 5km reflecting changes in location after the development of Thula Plaza is represented by registered businesses (100.0%).

✓ The dominant reasons for changes in location are: higher levels of activity around Thula Plaza, the relocation of the taxi rank to Thula Plaza, the development of Thula Plaza, increased volumes of consumers, high rentals and to a lower extent some were forced to move from their previous trading locations.

Figure 12.69: Perceived Impact of Thula Plaza on Current Location With Reference to Following – less than 2km

How has the development of Thula Plaza impacted on your current location - less 2km

Levels of competition: 25.0 (Remained the Same), 25.0 (Declined), 50.0 (Increased)
Access to banking facilities: 33.9, 7.1, 58.9
Safety and Security: 33.3, 15.8, 50.9
Accessibility: 29.8, 7.0, 63.2
Visibility: 28.6, 5.4, 66.1
Proximity to larger businesses: 15.4, 2.6, 82.1
Proximity to Public Transport Facilities/Routes: 21.1, 1.8, 77.2
Pedestrian Volumes/Feet pass your business: 25.0, 1.8, 73.2

Percentage of businesses (%)

☐ Remained the Same   ■ Declined   ■ Increased

Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.69)

Businesses within 2km of Thula Plaza indicated the following perceived impacts:

Overall the following increased:
✓ Proximity to larger businesses;
✓ Proximity to public transport facilities and routes;
✓ Pedestrian volumes/feet past business;
✓ Visibility of businesses;
✓ Accessibility to businesses;
✓ To a lesser extent, access to banking facilities, levels of competition and visibility.

Figure 12.70: Perceived Impact of Thula Plaza on Current Location With Reference to Following – 2 to 5km

How has the development of Thula Plaza impacted on your current location - 2 to 5km

Levels of competition — Remained the Same: 42.1, Declined: 31.6, Increased: 26.3
Access to banking facilities — Remained the Same: 40.9, Declined: 4.5, Increased: 54.5
Safety and Security — Remained the Same: 45.5, Declined: 9.1, Increased: 45.5
Accessibility — Remained the Same: 40.9, Declined: 4.5, Increased: 54.5
Visibility — Remained the Same: 42.9, Declined: -, Increased: 57.1
Proximity to larger businesses — Remained the Same: 47.6, Declined: 4.8, Increased: 47.6
Proximity to Public Transport Facilities/Routes — Remained the Same: 31.8, Declined: 4.5, Increased: 63.6
Pedestrian Volumes/Feet pass your business — Remained the Same: 31.8, Declined: 9.1, Increased: 59.1

Percentage of businesses (%)

☐ Remained the Same   ■ Declined   ■ Increased

Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.70)

Businesses within 2 to 5km of Thula Plaza indicated the following perceived impacts:

Overall the following increased:
✓ Proximity to public transport facilities;
✓ Pedestrian volumes/ feet past business;
✓ Visibility;
✓ Accessibility;
✓ Access to banking facilities.

Overall the following remained the same:
✓ Levels of competition.

12.5.3.2   *Perceived Impact on Nature of Business*

Subsequent paragraphs provide insight into the nature of the business and the impact of the development of Thula Plaza thereon.

Figure 12.71: Did the Nature of your Business change before and after Development of Thula Plaza?
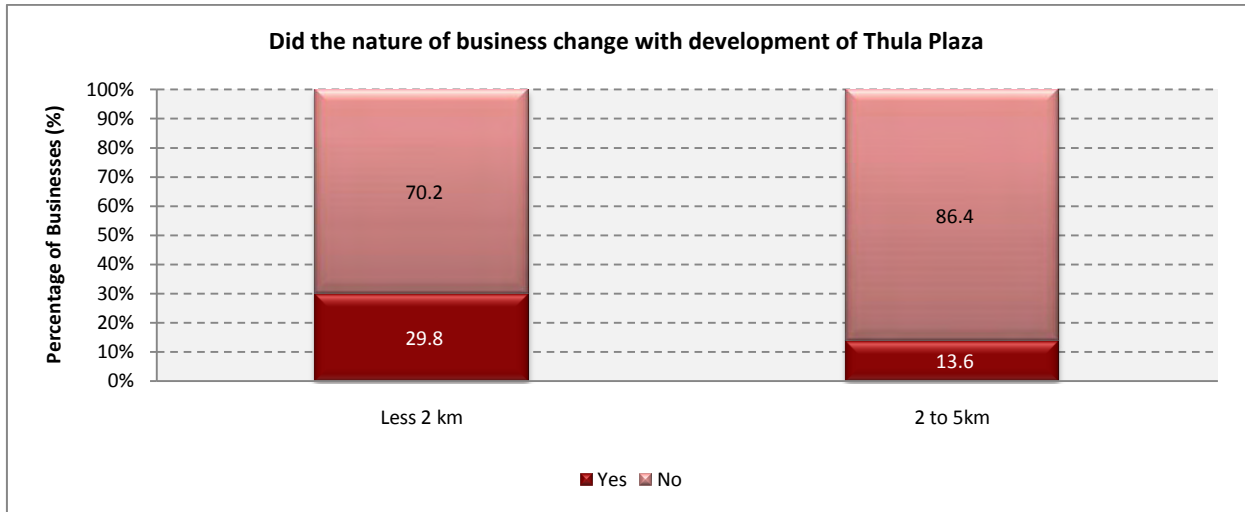
Source: Demacon Local Business Surveys, 2010

Figure 12.72: Did the nature of the dominant product or service change before and after development of Thula Plaza?
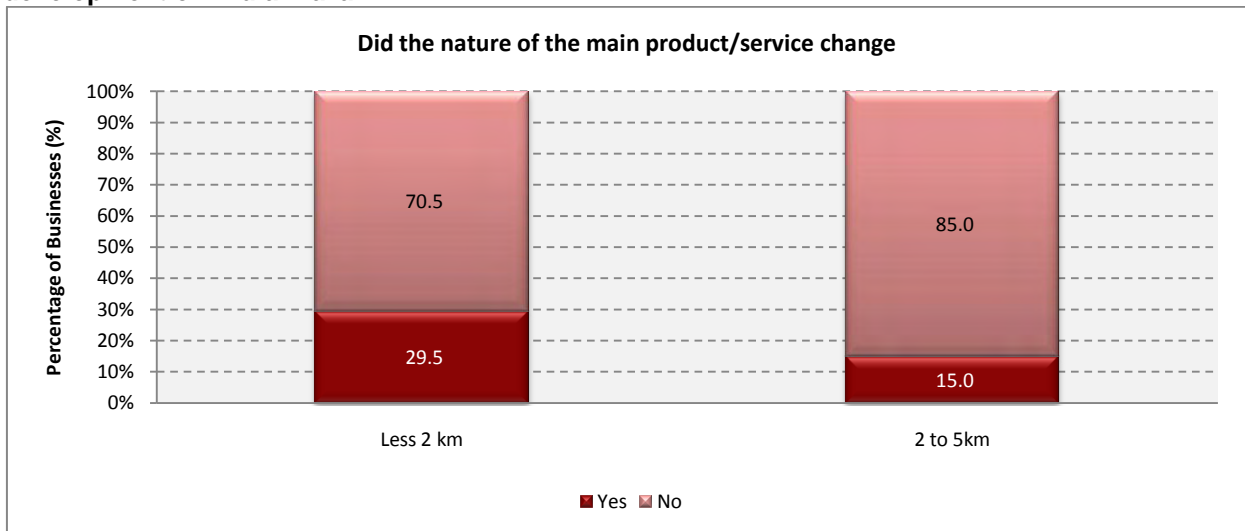
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.71 and 12.72)

✓ It is evident that a small percentage of businesses have experienced a change in the nature of their businesses since the development of Thula Plaza – 29.8% and 13.6% respectively. A certain segment of businesses reflected changes due to positive factors – increased customer base, higher levels of activity, business growth, product expansion, business formalisation and product change. The other segment, however, reflected changes due to negative factors such as increased levels of competition, economic recession, decline in consumers.

✓ A medium sized segment of responding businesses indicated that a change took place in their dominant products and services.

✓ Examples of these changes are listed below:

Before Thula Plaza	After Thula Plaza
Sweets	Sweets and chips
Cell phones	Cell phones and repairs
Photo copying	Photo copying and fax and internet
Top-up groceries	Bulk groceries
Public pay phone	Public pay phone and fast food
Computers	Computers and repairs
Stoves	Stoves and electrical repairs
Internet café	Internet café and computer repairs

The dominant reasons for these changes are:

✓ High levels of competition;
✓ Business growth;
✓ Increased consumer volumes;
✓ Increased ownership of electrical appliances by consumers;
✓ Increased business activity and requirement for business services;
✓ Preference towards products and services offered by the mall;
✓ Price competitiveness;
✓ Improved product quality;
✓ General township development;
✓ Greater variety within the mall.

12.5.3.3   *Perceived Impact on Business Performance*

Subsequent paragraphs provide an indication of the impact that the development of Thula Plaza had on the local business performance in terms of consumer volumes, stock movement, product range, turnover, profits and employment.   An overall perceived impact of the development of Thula Plaza on the local business environment was also indicated, as well as linkages to Thula Plaza.

Figure 12.73: How would you Measure the Performance of Your Business after development of Thula Plaza?
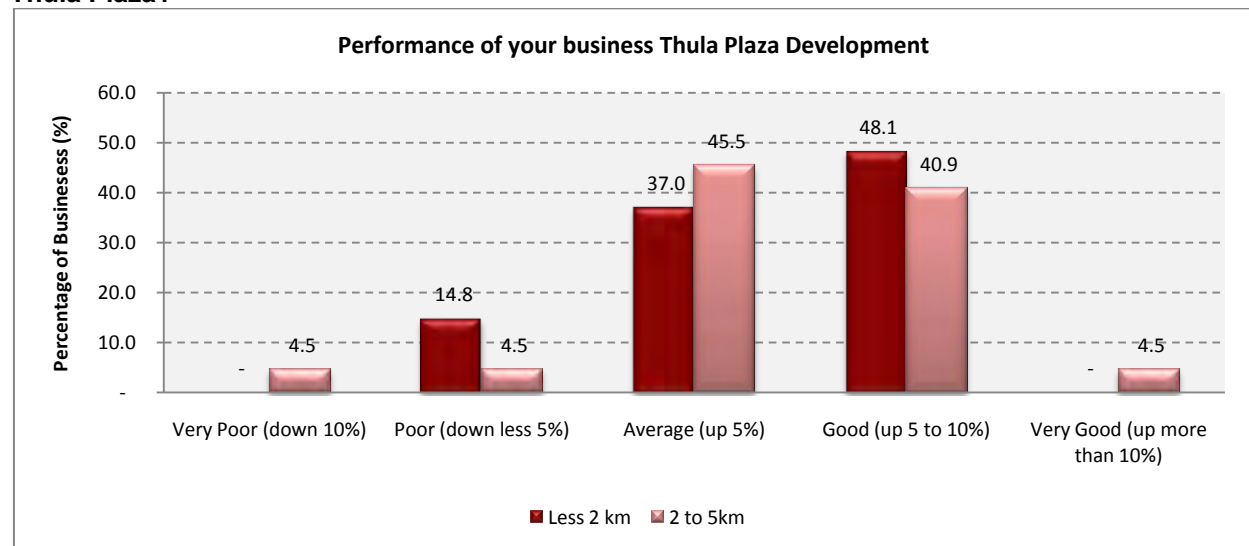
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.73)

✓ Segment within 2km: the majority of businesses indicated good business performance (up by between 5% and 10%), followed by 37.0% indicating average business performance (up

by 5%) and a medium sized segment of 14.8% reflecting poor business performance (down but by less than 5%).

✓ Segment between 2 and 5km: the larger segment of businesses – 45.5% - reflected average business performance (up by 5%), followed by 40.9% indicating good business performance (up by between 5% and 10%), 9.0% indicated poor to very poor business performance and 4.5% very good business performance.

Figure 12.74: Perceived impact on business performance after Thula Plaza Development – less than 2km

Impact of development of Thula Plaza - less 2km

Employment	2.0 / 25.5 / 68.6 / 2.0 / 2.0	
Profits	2.0 / 52.9 / 43.1 / 2.0	
Monthly Turnover	3.9 / 45.1 / 45.1 / 5.9	
Product Range	3.9 / 27.5 / 64.7 / 3.9	
Stock Movement	2.0 / 39.2 / 54.9 / 3.9	
Consumer Volumes	2.0 / 51.0 / 41.2 / 5.9	

Percentage of businesses (%)

■ Major Increase (>10%) ■ Slight Increase (1-5%) ■ The Same ■ Slight Decrease (0-5%) ■ Dramatic Decrease (-5%)
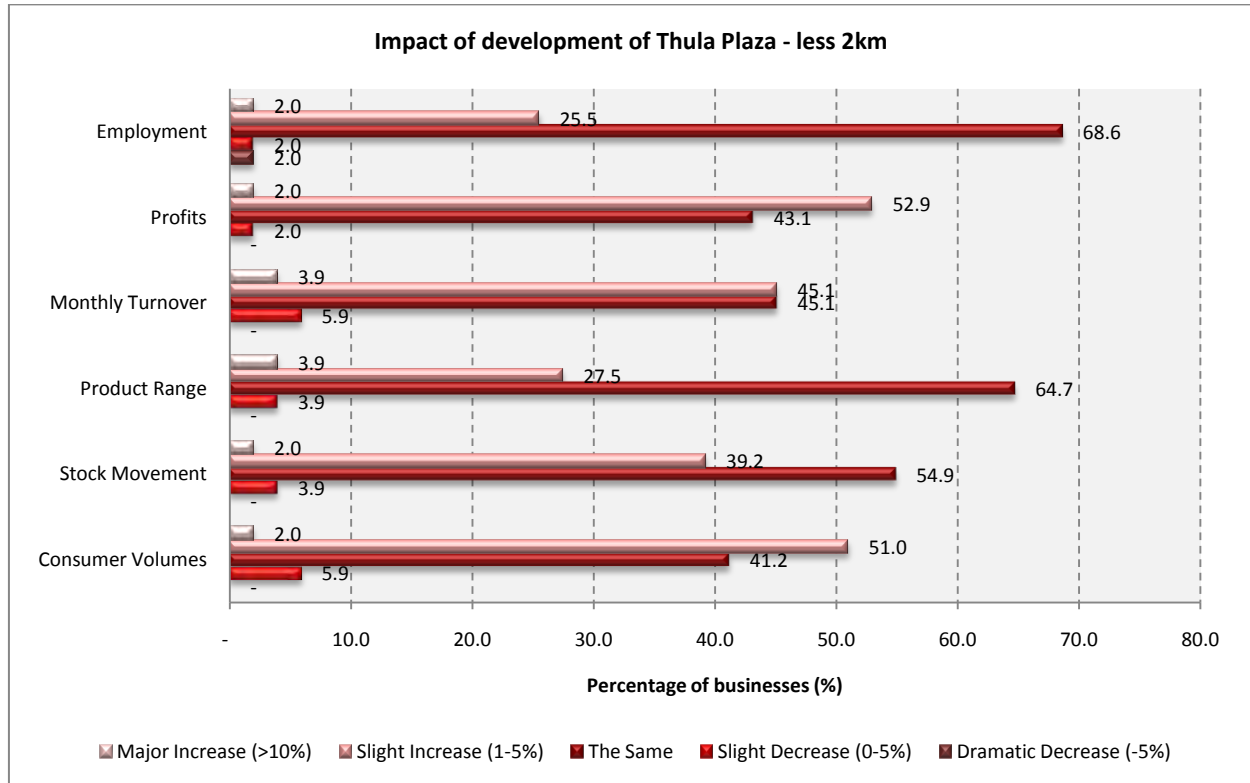
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.74)

Overall, the following was found:

✓ Employment: the majority of businesses indicated that employment remained the same (68.6%), followed by 25.5% of respondents indicating a slight increase.

✓ Profit: the larger segment reflected a slight increase in profit (52.9%), followed by 43.1% indicating that it remained the same.

✓ Monthly turnover: evenly large segments reflected a slight increase and no change pertaining to monthly turnover – 45.1%.

✓ Product range: the majority of respondents indicated that this remained the same – 64.7%, supported by 27.5% indicating a slight increase.

✓ Stock movement: the majority of respondents indicated that it remained the same – 54.9%, followed by 39.2% indicating a slight increase.

✓ Consumer volumes: the majority of respondents reflected a slight increase in consumer volumes – 51.0%, followed by 41.2% indicating that it remained the same.

Figure 12.75: Perceived impact on business performance after Thula Plaza Development – between 2 and 5km

Impact of development of Thula Plaza - 2 to 5km

Employment	14.3 / 4.8 / 81.0
Profits	9.5 / 23.8 / 57.1 / 9.5
Monthly Turnover	4.8 / 33.3 / 52.4 / 9.5
Product Range	28.6 / 66.7 / 4.8
Stock Movement	47.6 / 47.6 / 4.8
Consumer Volumes	47.6 / 42.9 / 9.5

Percentage of businesses (%)

■ Major Increase (>10%)   ■ Slight Increase (1-5%)   ■ The Same   ■ Slight Decrease (0-5%)   ■ Dramatic Decrease (-5%)
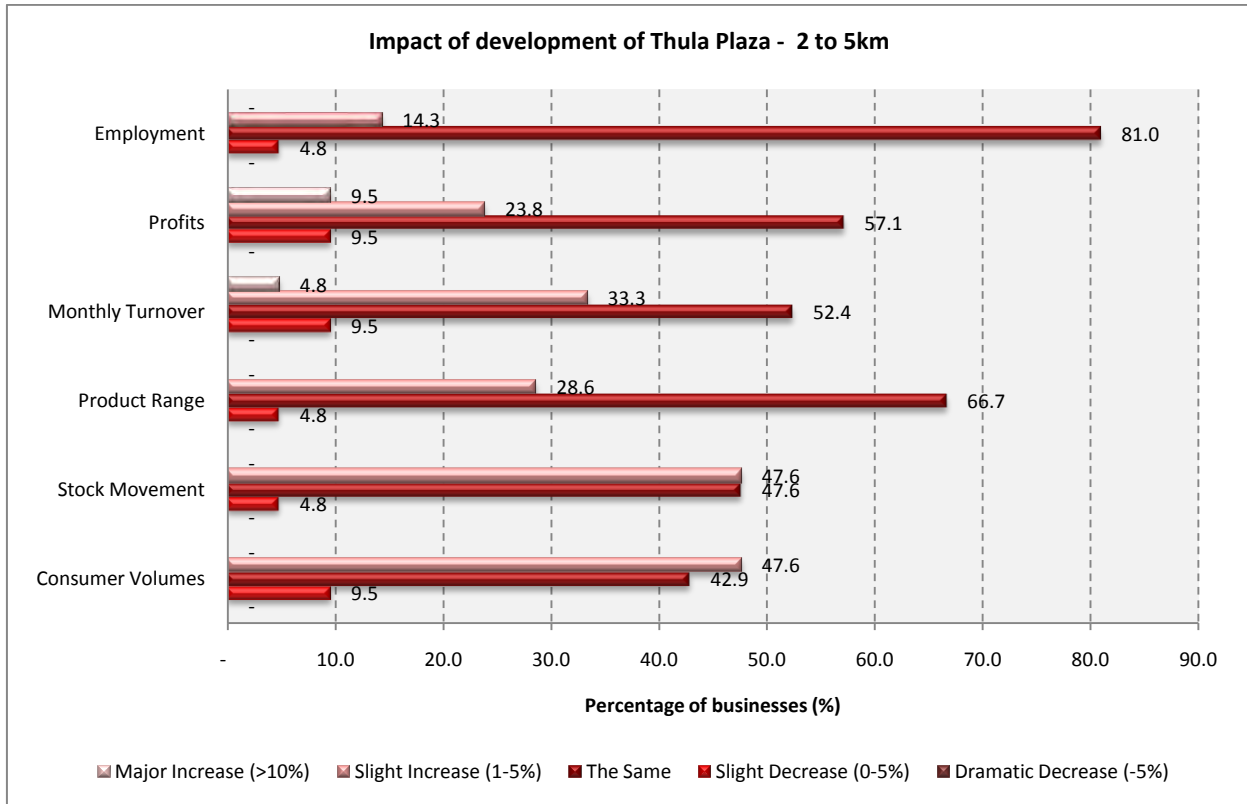
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.75)

Overall, the following was found:

- ✓ Employment: the majority of businesses reflected that employment remained the same – 81.0%, supported by 14.3% indicating a slight increase.
- ✓ Profit: the larger segment indicated that it remained the same – 57.1%, supported by 23.8% indicating a slight increase.
- ✓ Monthly turnover: the larger segment indicated that it remained the same – 52.4%, while 33.3% indicated a slight increase.
- ✓ Product range – the larger segment indicated that it remained the same – 66.7%, but 28.6% indicated a dramatic decrease.
- ✓ Stock movement: evenly sized business segments indicated that stock movement remained the same / increased slightly – 47.6%.
- ✓ Consumer volumes: the larger segment of respondents indicated a slight increase in consumer volumes – 47.6%, followed by 42.9% indicating that they remained the same.

Respondents also listed a number of factors which had a negative impact on their business performance besides the development of Thula Plaza:

- ✓ 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;

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✓ Overall quality of the business environment.

Figure 12.76: What have you perceived with regard to local businesses in the areas with the development of Thula Plaza?

Changes to Local Businesses
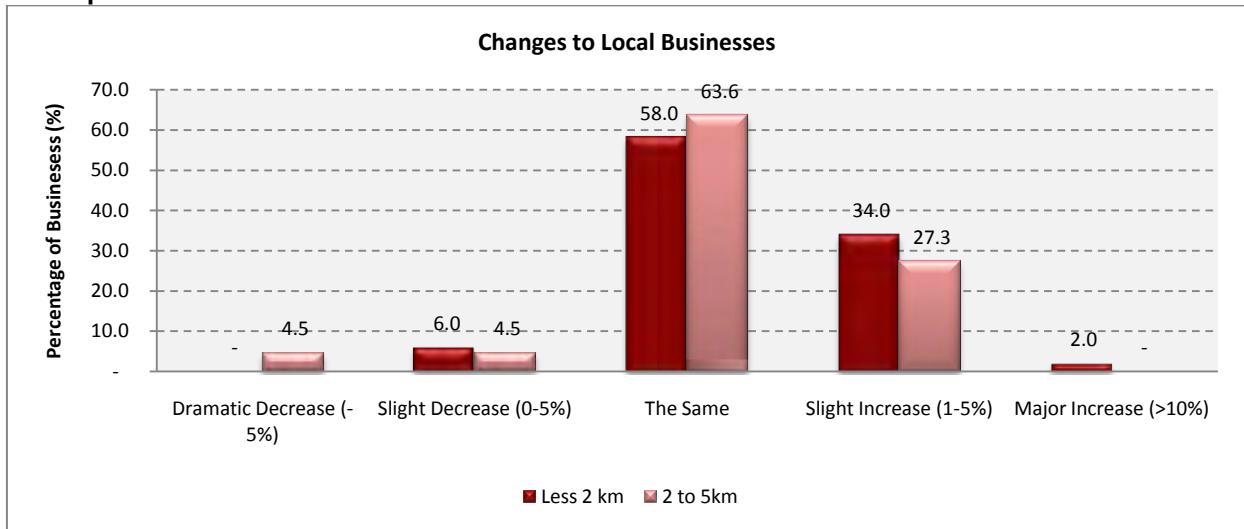
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.76)

✓ In terms of the segment within 2km of Thula Plaza – 58.0% indicated it remained the same, 34.0% indicated a slight increase in local businesses, 6.0% indicated a slight decrease in businesses and 2.0% indicated a dramatic increase in local businesses and traders.

✓ The segment between 2 and 5km from Thula Plaza – 63.6% indicated that businesses remained the same, 27.3% indicated a slight increase, while 9.0% indicated a slight to dramatic decrease in businesses and traders.

Figure 12.77: In general would you say that the development of Thula Plaza has benefited your business?

Did development of Thula Plaza benefited your business?
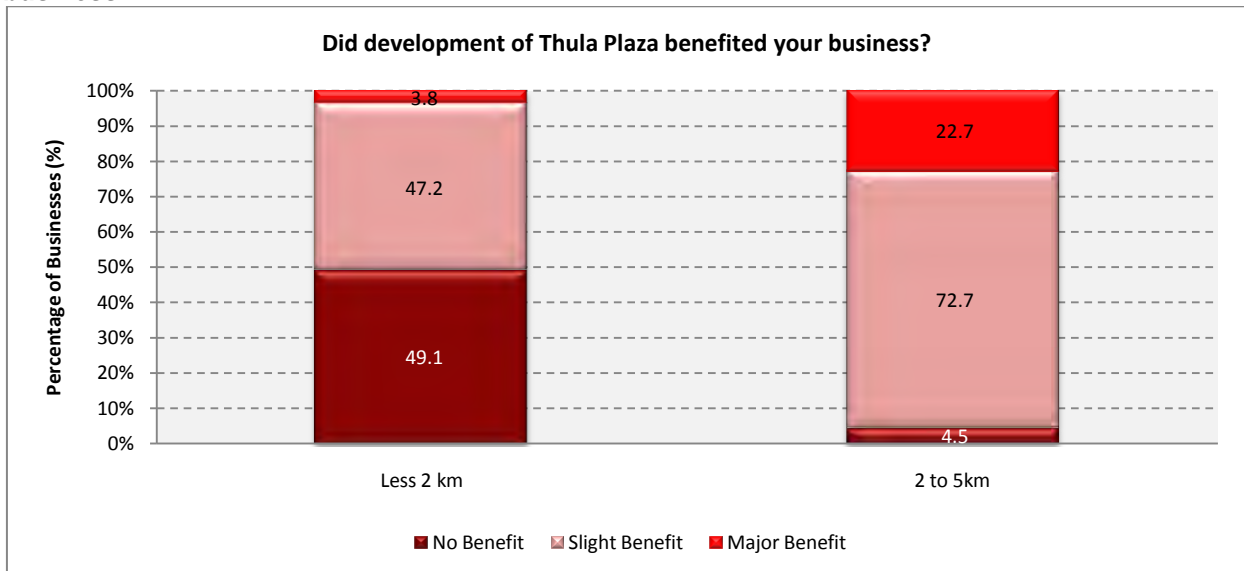
Source: Demacon Local Business Surveys, 2010

Figure 12.78: Dominant Suppliers
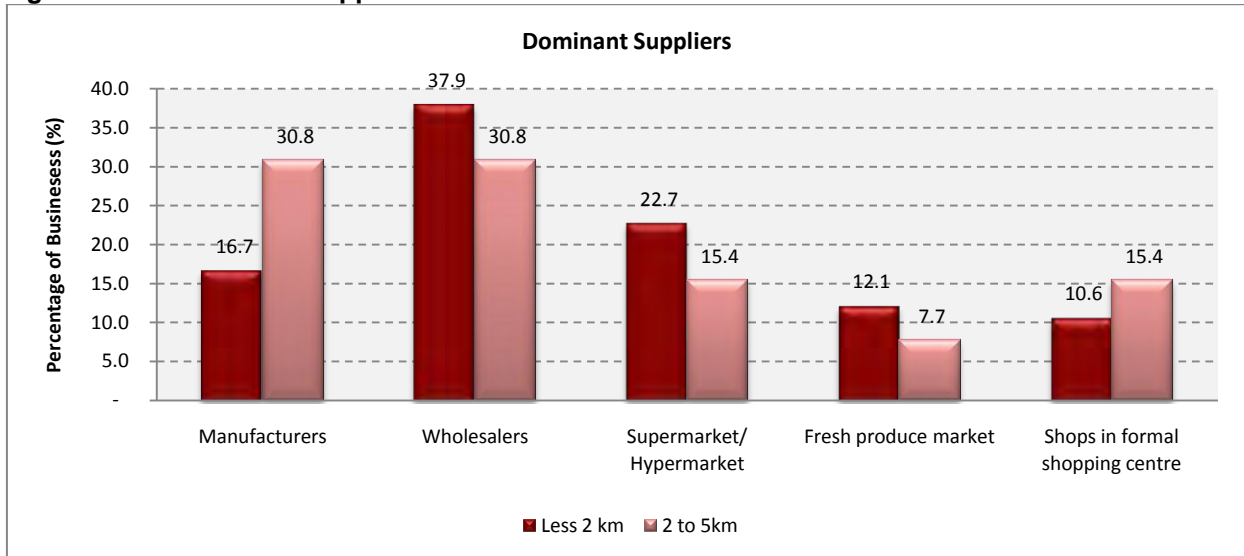
Source: Demacon Local Business Surveys, 2010

Figure 12.79: Percentage of Monthly Stock Purchased at Thula Plaza
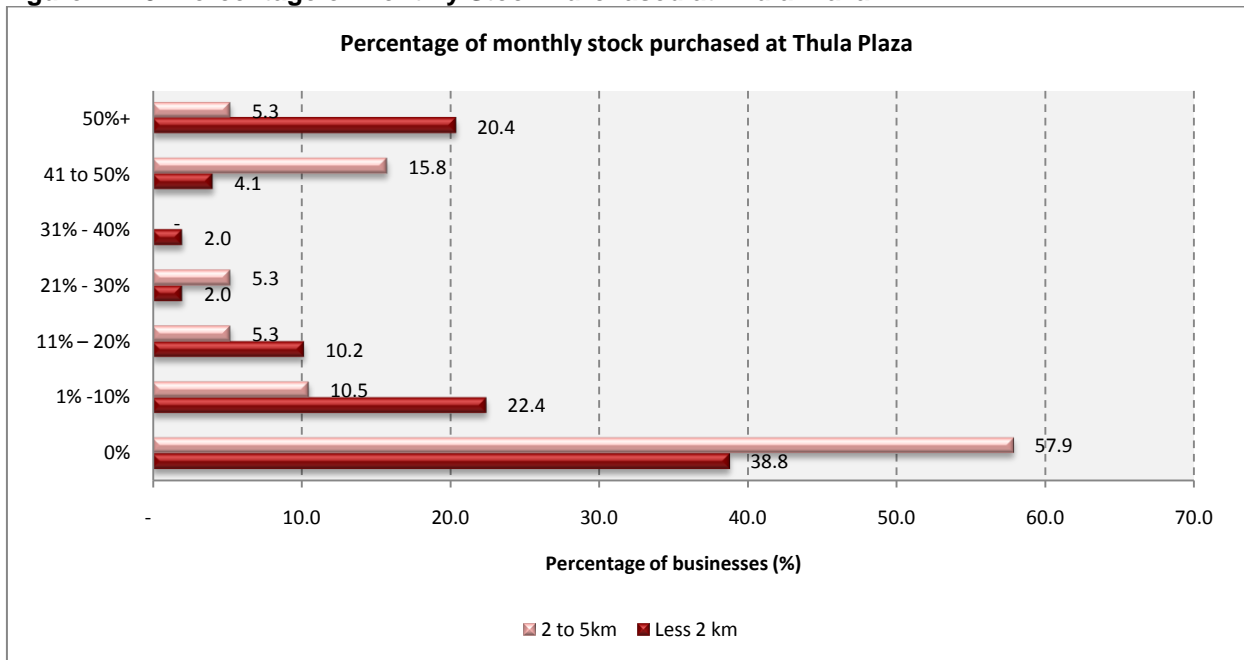
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.77 to 12.79)

✓ In terms of the segment within 2km – 49.1% of the respondents indicated that Thula Plaza had no benefit for their business, 47.2% indicated a slight benefit and 3.8% indicated major benefits.

✓ In terms of the segment between 2 and 5km – the larger segment of 72.7% indicated that it had slight benefits and 22.7% indicated that it had major benefits.

✓ In general, the benefits are a result of: increased consumer volumes, proximity to suppliers, proximity to shops, increased business activity, increased levels of visibility, increased interest in products and services, higher end of the month consumer volumes to Thula Plaza and more efficient marketing.

✓ In general, the dominant suppliers are represented by wholesalers, manufacturers and supermarkets/hypermarkets and to a lesser extent, shops within formal retail centres and fresh produce markets.

✓ Local businesses in closer proximity to Thula Plaza purchase higher percentages of monthly stock from the mall than those located further away. The average weighted percentage of monthly stock purchased at Thula Plaza amounts to 17.03% for businesses within 2km and 12.76% for businesses located between 2 and 5km from the mall.

12.5.4 BUSINESS PROBLEMS AND REQUIRED SUPPORT

Table 12.11: Factors inhibiting your business from relocating to a formal retail centre such as Thula Plaza

Less 2 km	2 to 5km
✓ Low levels of customers	✓ Lack of consumers
✓ Low profit margins	✓ Lack of funding
✓ Lack of business recognition	✓ Visibility
✓ Size of business	✓ Low profit margins
✓ Level of formalisation	✓ High levels of competition
✓ Limited business growth	✓ Low levels of growth
✓ Lack of funds	✓ High rentals
✓ Legal advice	
✓ Effective marketing	
✓ The status of the business	
✓ High levels of competition	

Source: Demacon Local Business Surveys, 2010

It is evident from Table 12.11 that the dominant factors inhibiting businesses from moving to formal retail centres are: low numbers of customers, low profit margins, lack of business recognition, size of business, visibility thereof, level of formalisation, low levels of growth, lack of funds, required legal advice, effective marketing, status of the business, high levels of competition and high rentals.

Figure 12.80: Factors Inhibiting Business Growth – less than 2km
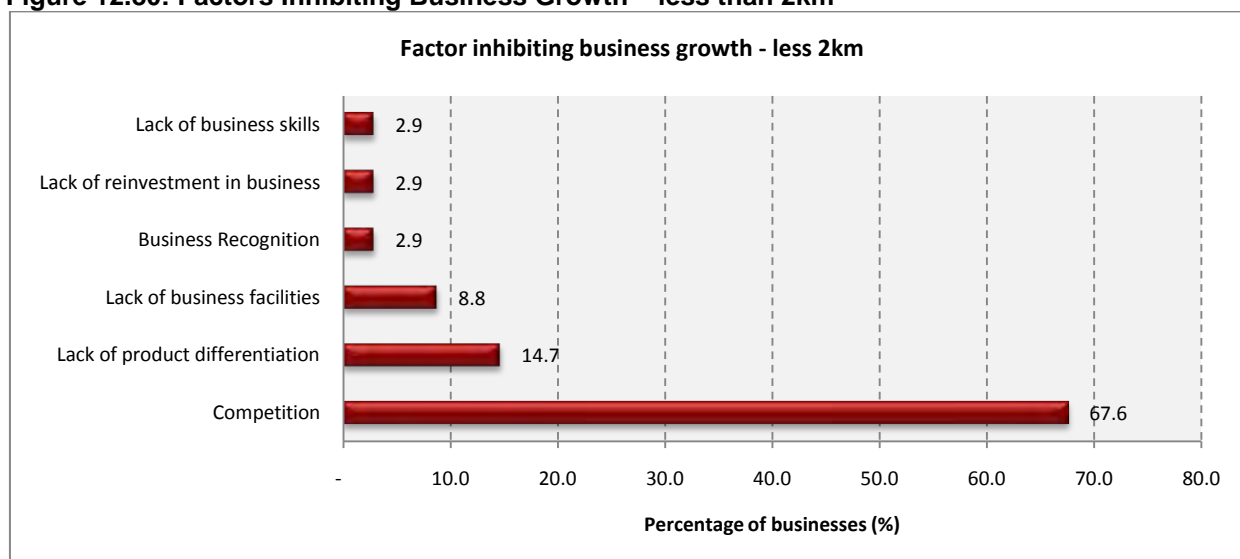
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.80 and 12.81)

In general the dominant factors inhibiting local business growth include: high levels of competition, lack of product differentiation, lack of business facilities, lack of business recognition, limited reinvestment in businesses, lack of business skills, lack of customers, crime and accessibility.

Figure 12.81: Factors Inhibiting Business Growth – 2 to 5km
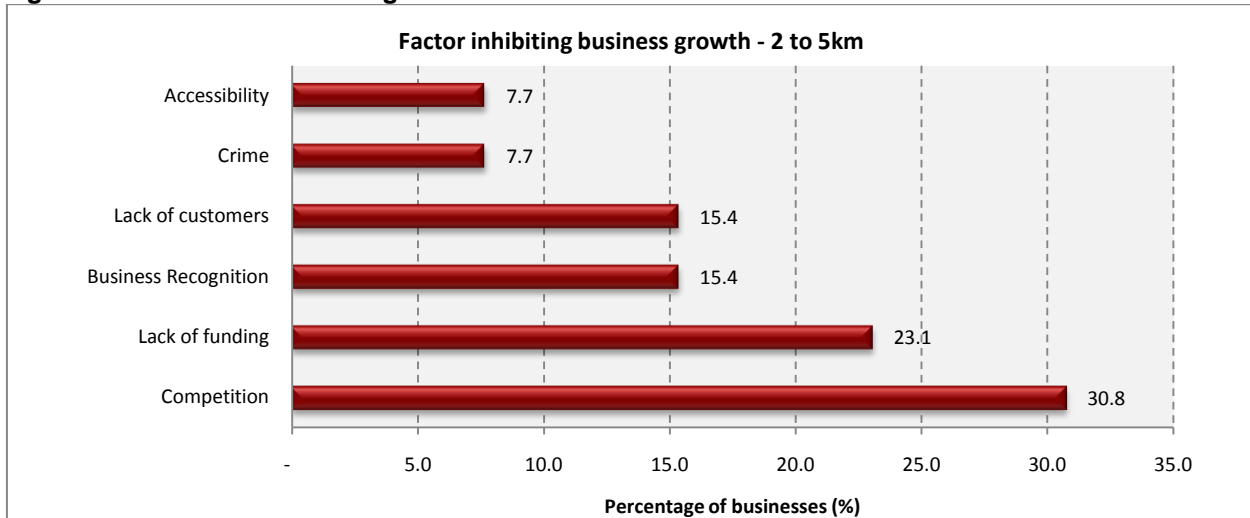
Source: Demacon Local Business Surveys, 2010

Figure 12.82: Are you aware of any business support organisations?
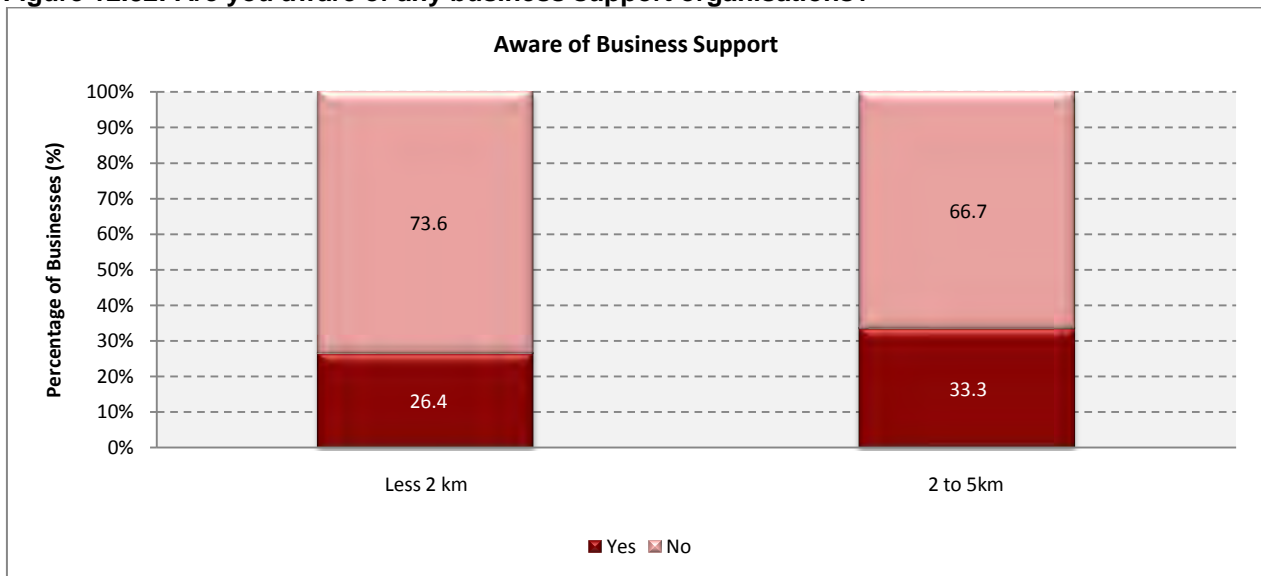
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.72 to 12.74)

✓ A moderate segment of local businesses are aware of business support organisations – 26.4% within 2km and 33.3% between 2 and 5km. (

✓ A medium sized segment of local business within 2km from Thula Plaza have been approached to participate in or undergo business training (22.2%) compared with the 28.6% approached located between 2 and 5km from Thula Plaza.

✓ The majority of local businesses believe that this type of training would enable their businesses to grow and would enable them to relocate to formal retail centres such as Thula Plaza.

Figure 12.83: Have you ever been approached to participate in or undergo business management training?
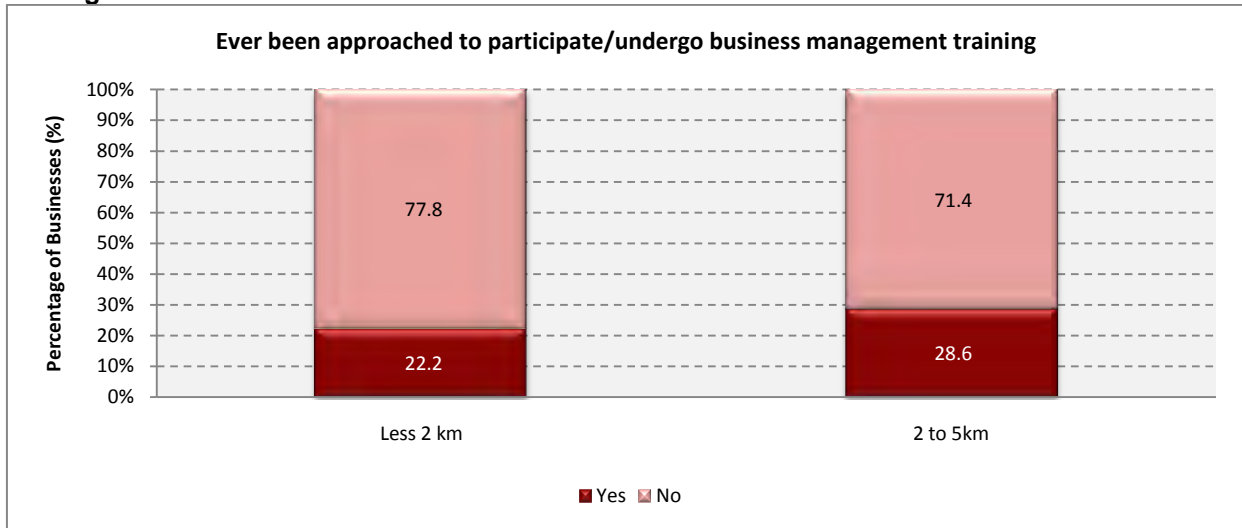
Source: Demacon Local Business Surveys, 2010

Figure 12.84: Do you believe such training would enable your business to grow and eventually locate to modern shopping mall?
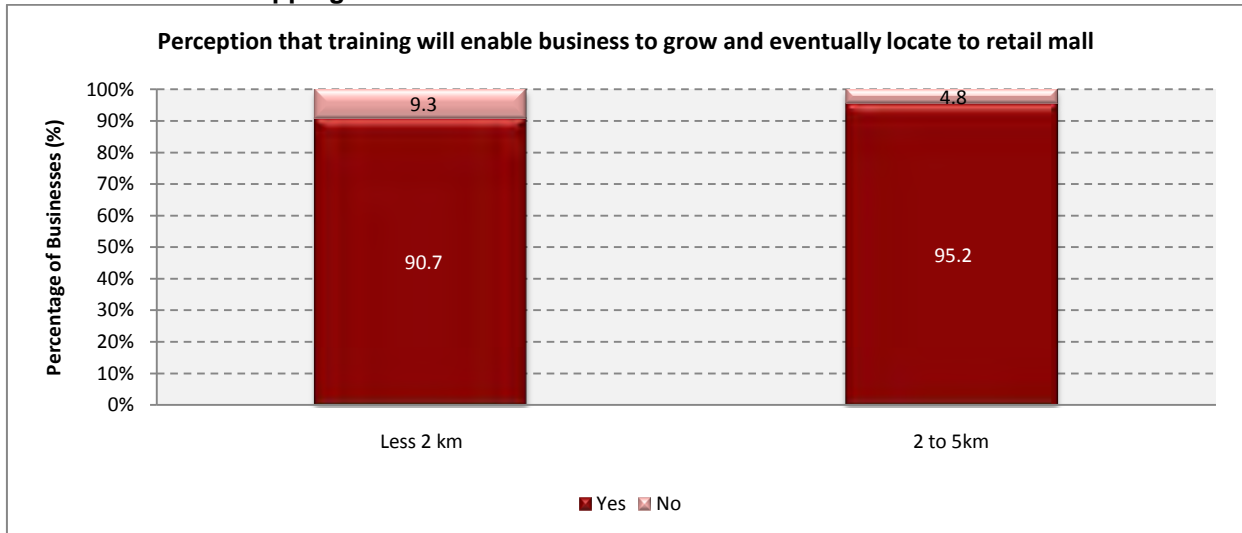
Source: Demacon Local Business Surveys, 2010

Figure 12.85: Would you accept such training if it were offered?

Source: Demacon Local Business Surveys, 2010

It is also evident that the majority of these local businesses indicated that they would accept training if it were offered – 92.2% and 86.4% respectively.

Local businesses also ranked their business support requirements – as indicated in Table 12.12.

Table 12.12: Ranking of Business Support Requirements

	1	2	3	4	5	
Segment – less than 2km						
Financial support	1.9	-	17.3	19.2	61.5	100
General business skills training	1.9	1.9	19.2	23.1	53.8	100
Legal advice	1.9	1.9	19.2	32.7	44.2	100
Business planning advice	2.0	-	17.6	35.3	45.1	100
Marketing assistance	1.9	-	19.2	34.6	44.2	100
Produce research and information	-	1.9	17.3	36.5	44.2	100
Communication assistance	-	1.9	15.4	38.5	44.2	100
Technical assistance	-	1.9	17.3	40.4	40.4	100
Networking forums	-	1.9	15.4	38.5	44.2	100
Physical facilities	3.8	1.9	19.2	32.7	42.3	100
Segment –2 to 5km						
Financial support	-	-	9.5	28.6	61.9	100
General business skills training	-	-	19.0	33.3	47.6	100
Legal advice	-	-	14.3	42.9	42.9	100
Business planning advice	-	-	23.8	28.6	47.6	100
Marketing assistance	-	-	28.6	28.6	42.9	100
Produce research and information	-	-	19.0	33.3	47.6	100
Communication assistance	-	-	19.0	28.6	52.4	100
Technical assistance	-	-	14.3	42.9	42.9	100
Networking forums	-	-	19.0	33.3	47.6	100
Physical facilities	-	-	19.0	33.3	47.6	100

Source: Demacon Local Business Surveys, 2010

Overall, the following business support requirements are evident:

✓ Segment within 2km: financial support, general business skills training, business planning advice, legal advice, marketing assistance, communication assistance, networking forums and physical facilities.
✓ Segment between 2 and 5km: financial support, communication assistance, general business skills training, business planning advice, product research and information, networking forums and physical facilities.

12.5.5 BUSINESS OWNER AND BUSINESS INFORMATION

Subsequent paragraphs provide background information on the business owner in terms of racial profile, gender profile, age profile, highest level of education, business training, previous work experience and reasons for starting a business. They also provide information pertaining to the business itself - age of the business, number of employees, access to facilities and services, business planning, bank products and average monthly business turnover.

Table 12.13: Business Owner Information

	Less 2 km	2 to 5km
Racial Profile		
Black	**92.6**	**100.0**
Coloured	3.7	-
Indian/Asian	3.7	-
White	-	-
Gender Profile		
Male	45.1	**81.0**
Female	**54.9**	19.0
Age Profile		
16-24 yrs	1.9	4.5

	Less 2 km	2 to 5km
25 -34 yrs	**37.0**	18.2
35 – 49 yrs	**38.9**	**50.0**
50yrs+	22.2	**27.3**
Highest Level of Education		
No schooling	**22.6**	23.8
Primary	7.5	9.5
Some secondary	17.0	**28.6**
Matric	**39.6**	**28.6**
Post matric qualification	7.5	4.8
Bachelors degree	5.7	4.8
Any post graduate degree	-	-
Any form of Business Training		
Yes	**18.9**	**30.0**
No	81.1	70.0
Where were Skills Learned		
Self taught	**73.6**	**50.0**
Family	15.1	10.0
Previous job	5.7	20.0
Training programme	3.8	15.0
Mentor/advisor	1.9	-
Tertiary institution	-	5.0
Previous Work Experience		
None	**38.5**	**42.9**
1 Year	1.9	-
2 Years	9.6	4.8
3 Years	5.8	-
5 Years	17.3	19.0
10 Years	13.5	19.0
10 Years+	13.5	14.3
Motivation for Starting Own Business		
Wanted to own business	**37.0**	**28.6**
Couldn't find another job	24.1	19.0
Was retrenched	1.9	9.5
For survival/income purposes	31.3	28.6
Business was inherited	3.7	9.5
Religious regions	1.9	4.8

Source: Demacon Local Business Surveys, 2010

Findings: (Table 12.13)

✓ For the segment within 2km: business owners in general represent African black females, supported by a nearly evenly large segment of African black males, between the ages of 25 and 49 years.

✓ For the segment between 2km and 5km: business owners in general represent African black males aged 35 years and older.

✓ The largest segment of business owners reflected highest education levels of some secondary and matric levels (13.2% and 9.6% of the various market segments respectively indicated post matric education levels).

✓ A small segment of business owners have some form of business training – 18.9% to 30.0%.

✓ Skills were mainly self-taught, or learned from family members, from previous jobs and, to a lesser extent, through training programmes.

✓ A relatively large segment of business owners have no previous work experience – 38.5% to 42.9%. This is followed by 23.8% to 34.6% of business owners that have less than five years work experience and between 27.0% to 33.3% of business owners who have more than ten years previous work experience.

✓ The dominant motivation for starting their own business includes owners wanting to own their own business and the need to do so for survival purposes.

Figure 12.86: Ownership of Business Premises
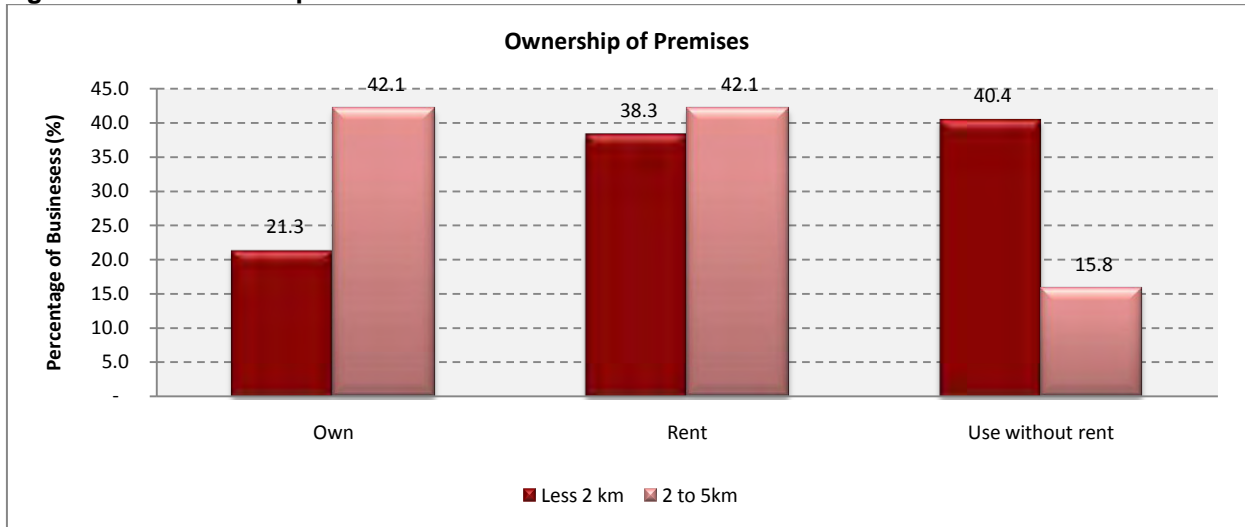
Source: Demacon Local Business Surveys, 2010

Figure 12.87: Access to Facilities, Equipment and Services
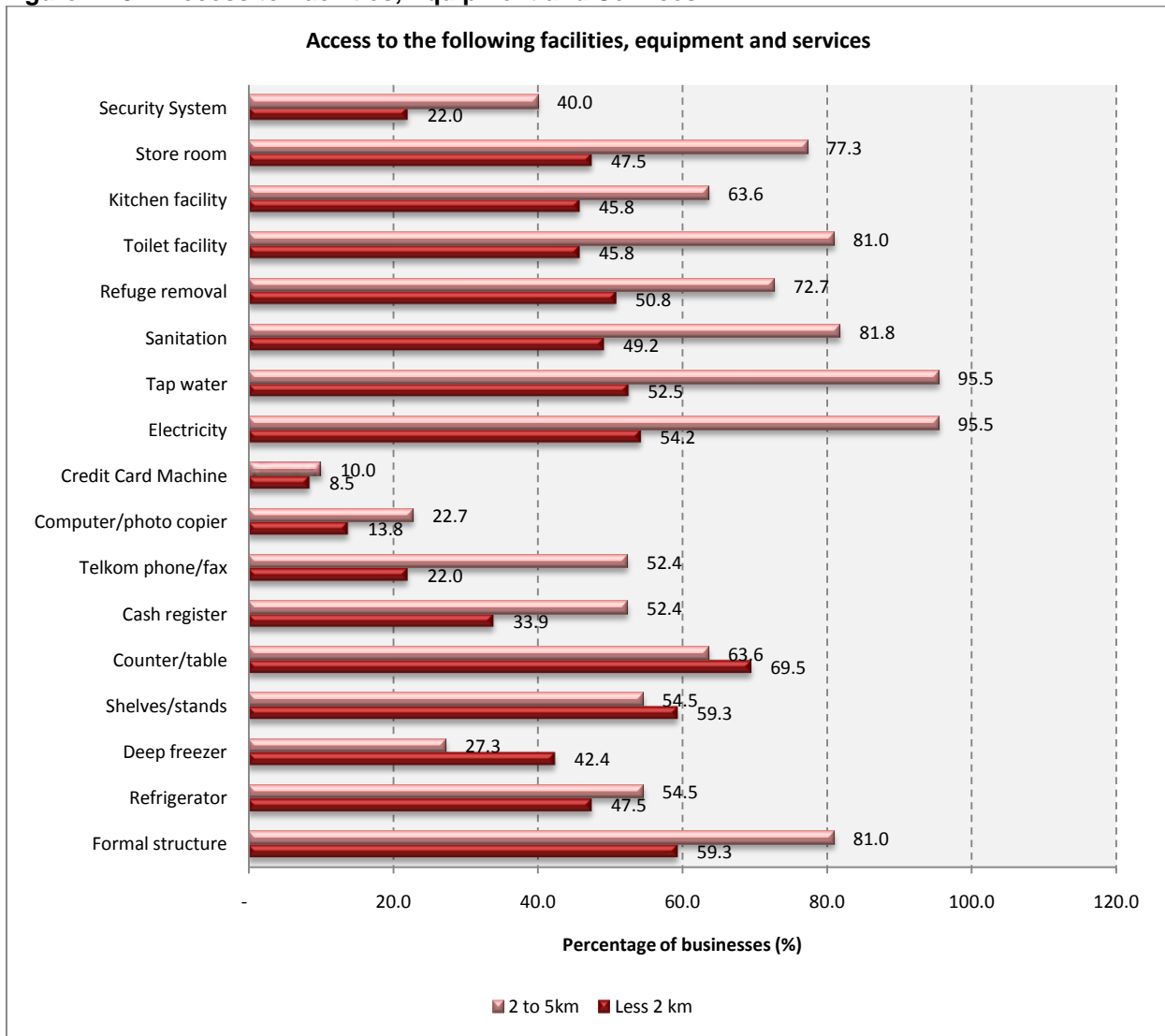
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.86 and 12.87)

✓ Market segment within 2km: The larger segment of local businesses occupy their business premises rent free, followed by a medium sized segment renting premises while a relatively small segment owning their premises.

✓ Market segment between 2km and 5km: The larger segment of local businesses own or rent their business premises, followed by a relatively small segment that occupy it without paying rent.

✓ In general businesses have access to at least the following:
  • Segment within 2km – counter/table, shelves/stand, formal structure, electricity, refuse removal and refrigeration facilities.
  • Segment between 2 and 5km – tap water, electricity, sanitation, toilet facility, formal structure, store room and refuse removal.

Figure 12.88: Do you have any form of business planning for your business?

Do you have any form of business planning for your business

Category	2 to 5km	Less 2 km
Business Strategy	28.6	20.4
Financial Records	52.4	35.2
Marketing Plan	25.0	29.6
Budget	47.6	35.2
Business Plan	71.4	46.3

Percentage of businesses (%)

■ 2 to 5km   ■ Less 2 km
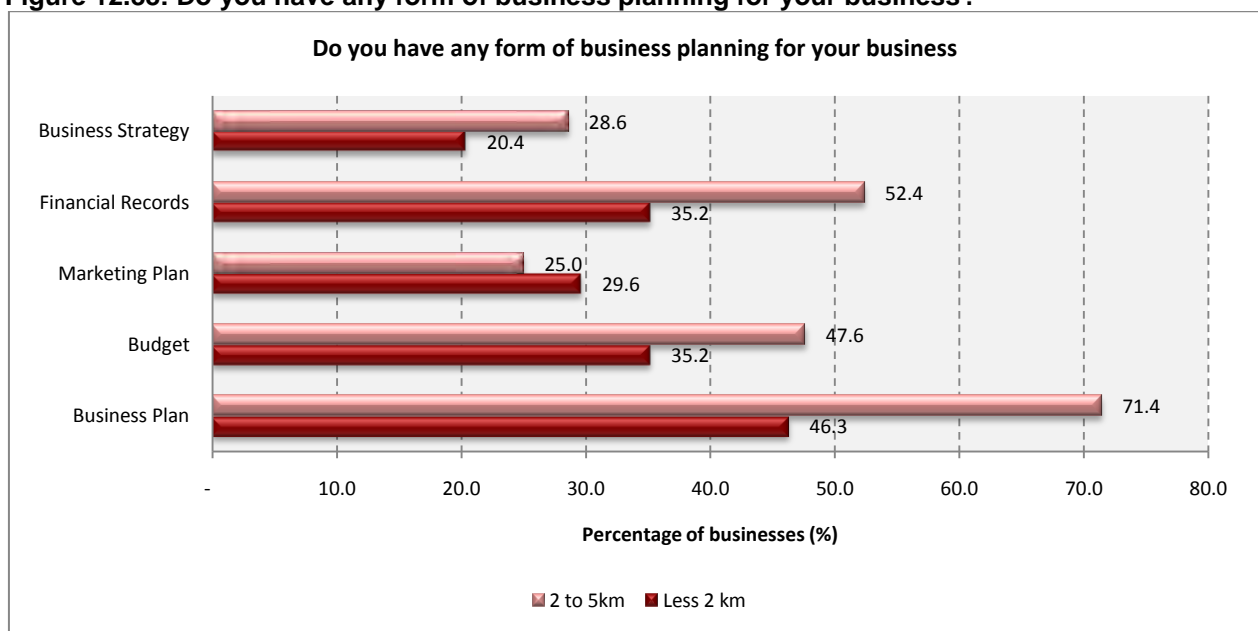
Source: Demacon Local Business Surveys, 2010

Findings: (Figures 12.88 and 12.89)

✓ In terms of forms of business planning it is evident that business plans, budgets and financial records featured under the forms of business planning supporting their business ventures.

✓ In terms of banking products utilised as part of the businesses, the following was found: savings accounts orcurrent sccount with ATM cards represent the dominant bank products utilised. Other products used to a lesser extent include debit cards, checque accounts, credit cards, garage cards, internet banking, investment accounts, fixed deposit bank accounts and vehicle finance.

✓ In terms of the experience with banks the following perceptions were evident: banks are generally viewed as a safe place to save money, they provide financial support for business ventures, they provide advice on how to run the finances of a business. Some negative experiences relate to high bank charges and refusals to provide financial assistance to business owners with criminal records.

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Figure 12.89: Bank Products Utilised as Part of Business
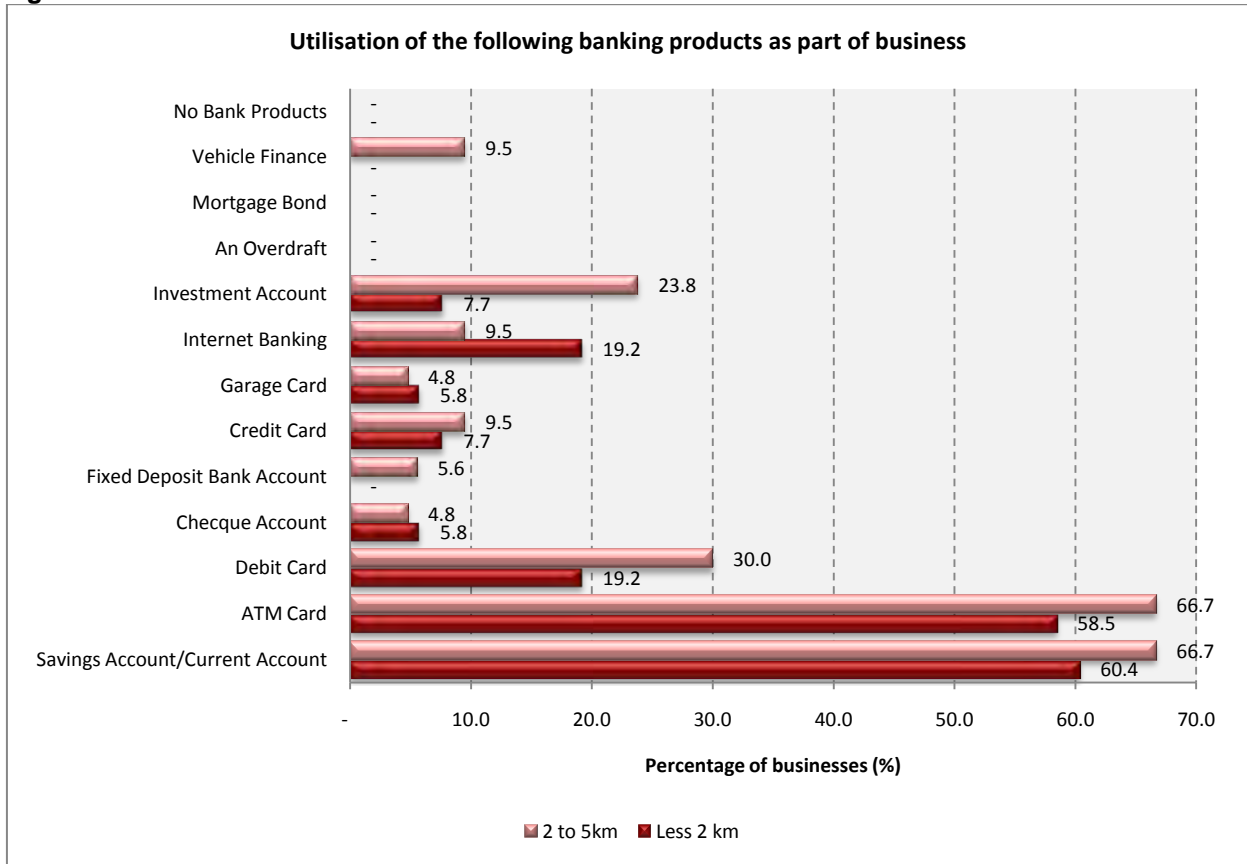
Source: Demacon Local Business Surveys, 2010

Figure 12.90: Average Monthly Business Turnover
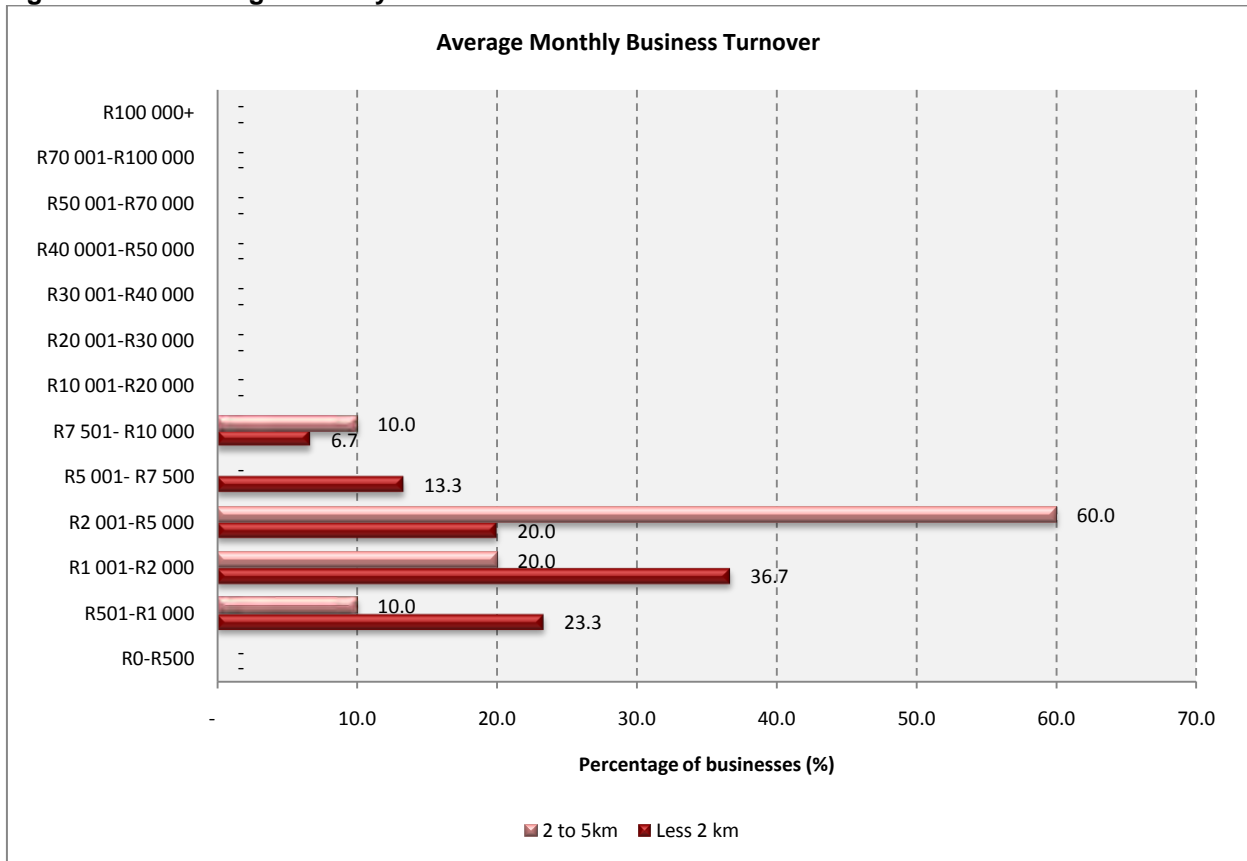
Source: Demacon Local Business Surveys, 2010

Findings: (Figure 12.90)

✓ Businesses within 2km reflected lower average monthly incomes than businesses located further away from the centre. The average weighted monthly business income amounts to R2 842.2 for the segment within 2km from the mall and R3 350.5 for the segment located between 2 and 5km.

12.6   SYNTHESIS

The purpose of this chapter was to illustrate the impact of formal retail centre development on the local business environment in second economy areas. Table 12.14 summarises the key findings.

Table 12.14: Impact of formal retail centre development on local business environment

	Jabulani Mall		Central City		Thula Plaza	
	Within 2km	**2 to 5km**	**Within 2km**	**2 to 5km**	**Within 2km**	**2 to 5km**
Impact on location:						
Pedestrian volumes	✓ Increased 48.8%	✓ Declined 39.0%	✓ Increased 55.6%	✓ Declined 41.3%	✓ Increased 73.2%	✓ Increased 59.1%
Proximity to public transport facilities	✓ Increased 57.5%	✓ Same 60.0%	✓ Increased 60.0%	✓ Same 58.7%	✓ Increased 77.2%	✓ Increased 63.6%
Proximity to larger businesses	✓ Same 40.0%	✓ Same 65.7%	✓ Increased 53.3%	✓ Declined 37.5% ✓ Increased 33.3%	✓ Increased 82.1%	✓ Increased 47.6% ✓ Same 47.6%
Visibility	✓ Increased 34.2% ✓ Decreased 34.2%	✓ Same 40.5%	✓ Increased 42.2%	✓ Same 48.8%	✓ Increased 66.1%	✓ Increased 57.1%
Accessibility	✓ Same 43.6%	✓ Same 48.6%	✓ Same 52.3%	✓ Same 54.5%	✓ Increased 63.2%	✓ Increased 54.5%
Safety & security	✓ Same 59.0%	✓ Same 66.7%	✓ Same 60.0%	✓ Same 60.0%	✓ Increased 50.9%	✓ Increased 45.5% ✓ Same 45.5%
Access to banking facilities	✓ Same 50.0% ✓ Increased 36.8%	✓ Same 62.5%	✓ Increased 48.9%	✓ Same 63.6%	✓ Increased 58.9%	✓ Increased 54.3
Levels of competition	✓ Increased 55.2%	✓ Increased 54.5%	✓ Increased 50.0%	✓ Increased 50.0%	✓ Increased 50.0%	✓ Same 42.1%
Did the nature of business change?	✓ Yes 57.8%	✓ Yes 48.9%	✓ Yes 22.7%	✓ Yes 21.2%	✓ Yes 29.8%	✓ Yes 13.6%
Main product/service change	✓ Yes 35.9%	✓ Yes 38.5%	✓ Yes 9.3%	✓ Yes 20.4%	✓ Yes 29.5%	✓ Yes 15.0%
Performance after development	✓ Slight Increase 51.1% ✓ Poor 24.4% ✓ Good 22.2%	✓ Slight Increase 51.1% ✓ Good 24.4% ✓ Poor	✓ Average 48.1% ✓ Good 30.8%	✓ Very Poor 37.8% ✓ Average 29.7%	✓ Good 48.1% ✓ Average 37.0%	✓ Average 45.5% ✓ Good 40.9%

	Jabulani Mall		Central City		Thula Plaza	
	Within 2km	**2 to 5km**	**Within 2km**	**2 to 5km**	**Within 2km**	**2 to 5km**
		15.6%				
Consumer volumes	✓ Slight decline 34.3% ✓ Slight increase 25.7%	✓ Same 43.6% ✓ Slight decline 33.3%	✓ Slight increase 38.6% ✓ Same 38.6%	✓ Drastic decrease 36.4% ✓ Same 36.4%	✓ Slight increase 51.0% ✓ Same 41.2%	✓ Sight increase 47.6% ✓ Same 42.9%
Stock movement	✓ Same 44.1%	✓ Same 57.5%	✓ Same 59.1%	✓ Same 51.2%	✓ Same 54.9%	✓ Slight increase 47.6% ✓ Same 47.6%
Product range	✓ Same 50.0%	✓ Same 60.0%	✓ Same 61.4%	✓ Same 52.4%	✓ Same 64.7%	✓ Same 66.7%
Monthly turnover	✓ Slight decrease 35.3% ✓ Same 29.4% ✓ Slight increase 26.5%	✓ Same 52.5%	✓ Slight increase 45.5%	✓ Drastic decrease 39.5% ✓ Same 37.2%	✓ Same 45.1% ✓ Slight increase 45.1%	✓ Same 52.4%
Profits	✓ Slight decrease 37.1% ✓ Slight increase 28.6%	✓ Same 47.5%	✓ Slight increase 50.0%	✓ Same 37.2% ✓ Dramatic decrease 34.9%	✓ Slight increase 52.9% ✓ Same 43.1%	✓ Same 57.1%
Employment	✓ Same 57.1%	✓ Same 60.0%	✓ Same 68.2%	✓ Same 47.7%	✓ Same 68.6%	✓ Same 81.0%
General change with regard to number of local businesses	✓ Slight decline 35.0% ✓ Same 30.0% ✓ Slight increase 30.0%	✓ Same 67.5% ✓ Dramatic decline 17.5%	✓ Same 55.8% ✓ Slight increase 23.3% ✓ Slight decline 18.6%	✓ Same 40.0% ✓ Dramatic decline 24.4% ✓ Slight decline 20.0%	✓ Same 58.0% ✓ Slight increase 34.0% ✓ Slight decline 6.0% ✓ Drastic increase 2.0%	✓ Same 63.6% ✓ Slight increase 27.3% ✓ Slight to large decline 9.0%
In general did development of centre/mall benefit business?	✓ Slight benefit 45.2% ✓ Major benefit 4.8%	✓ Slight benefit 18.6%	✓ Slight benefit 34.1% ✓ Major benefit 2.3%	✓ Slight benefit 22.2%	✓ Slight benefit 47.2% ✓ Major benefit 3.8%	✓ Slight benefit 72.7% ✓ Major benefit 22.7%
Percentage of monthly stock purchased at centre/mall	✓ 11.8%	✓ 8.7%	✓ 7.5%	✓ 22.5%	✓ 17.0%	✓ 12.7%

Besides this impact it was also found that local businesses have a specific point of view regarding their preferred location and their ability to relocate to formal retail centres.

Table 12.15: Location Preferences and Perceived Ability to Relocate to Formal Retail Centres

	Jabulani Mall		Central City		Thula Plaza	
	Within 2km	**2 to 5km**	**Within 2km**	**2 to 5km**	**Within 2km**	**2 to 5km**
Top location preferences	✓ Safe and secure area ✓ Visible area ✓ Close to public facilities ✓ Along busy street ✓ Close to services	✓ Safe and secure area ✓ Close to public facilities ✓ Visible area ✓ Close to banks ✓ Close to services	✓ Safe and secure ✓ Visible area ✓ Close to public facilities ✓ Close to services ✓ Along busy street	✓ Safe and Secure area ✓ Part of business node ✓ Close to public facilities ✓ Close to banks ✓ Along busy street	✓ Safe and secure area ✓ Along busy street ✓ Close to banks ✓ Close to services ✓ Close to public facilities	✓ Safe and secure area ✓ Along busy street ✓ Visible location ✓ Close to banks ✓ Close to services
From business point of view – better situated near or within mall	✓ 60% Near	✓ 53.3% Within	✓ 55.0% Within	✓ 55.8% Within	✓ 65.3% Near	✓ 52.4% Near
Perceived ability to afford rentals	✓ Yes 37.2%	✓ Yes 43.8%	✓ Yes 20.0%	✓ Yes 71.7%	✓ Yes 35.7%	✓ Yes 40.9%
Perception that business will be able to grow over time to afford such rentals	✓ Yes 54.5%	✓ Yes 75.5%	✓ Yes 80.0%	✓ Yes 78.8%	✓ Yes 78.2%	✓ Yes 77.3%
Current inhibiting factors	✓ Lack of customers ✓ Lack of funding ✓ Product recognition ✓ Informal nature of business ✓ High rentals	✓ Lack of funding ✓ Lack of business education ✓ Informal nature of business ✓ High rentals ✓ Inability to compete with nationals	✓ Lack of customers ✓ Lack of funding ✓ Product recognition ✓ Low profit margins	✓ Lack of funding ✓ Lack of business education ✓ High rentals ✓ Informal nature of businesses ✓ Inability to compete with nationals	✓ Lack of customers ✓ Low profit margins ✓ Lack of product / business recognition ✓ Size of business ✓ Level of formalisation ✓ Limited growth ✓ Lack of funding ✓ Lack of legal advice ✓ High levels of competition	✓ Lack of customers ✓ Lack of funding ✓ Low visibility ✓ Low profit margin ✓ High levels of competition ✓ Limited growth ✓ High rentals

It should, however, also be noted that business owners indicated that it was not only formal retail centre development that had an impact on their business performance.

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Table 12.16: Factors Impacting on Business Performance and Growth

Jabulani Mall		Central City		Thula Plaza	
Within 2km	**2 to 5km**	**Within 2km**	**2 to 5km**	**Within 2km**	**2 to 5km**
✓ High levels of competition ✓ Lack of customers ✓ Stock prices ✓ Price competiveness ✓ Accessibility ✓ Visibility ✓ Lack of funding ✓ Economic recession ✓ Lack of unique business opportunity ✓ Informal nature of business	✓ High levels of competition ✓ Lack of funding ✓ Crime and theft ✓ Lack of proper management ✓ Inability to save income ✓ Product recognition ✓ Stock prices ✓ Lack of business support ✓ Lack of customers ✓ Labour costs ✓ Economic recession ✓ Accessibility ✓ Visibility	✓ High levels of competition ✓ Accessibility ✓ Visibility ✓ Lack of funding ✓ Lack of business facilities ✓ Quality of business facilities ✓ Lack of customers ✓ Stock prices ✓ Illegal immigrants	✓ Crime and theft ✓ High level of competition ✓ Lack of funding ✓ Lack of business skills ✓ Accessibility ✓ Visibility ✓ Stock prices ✓ Lack of business support ✓ Lack of unique business opportunity ✓ Lack of government support ✓ Informal nature of business ✓ Lack of proper management ✓ Slow profit	✓ High levels of competition ✓ Lack of product differentiation ✓ Lack of business facilities ✓ Lack of product / business recognition ✓ Low levels of business reinvestment ✓ Lack business skills	✓ High levels of competition ✓ Lack of funding ✓ Lack of product / business recognition ✓ Lack of customers ✓ Crime ✓ Low levels of accessibility

Overall, these businesses are faced with a number of factors impacting their businesses:

✓ Increased levels of competition – formal retail centres as well as increased numbers of smaller businesses / traders opening up in the area;
✓ Locations that are not visible and accessible;
✓ Physical business facilities not up to standard;
✓ Crime and theft;
✓ Lack of business management and general business skills;
✓ Lack of funding and knowledge to reinvest into businesses;
✓ Lack of business support;
✓ Lack of product / business recognition;
✓ Lack of product branding and marketing – to obtain competitive edge;
✓ High input costs.

Evidently, a number of these factors relate to required levels of business support – Table 12.17 summarises their awareness and requirements pertaining to business support.

Table 12.17: Business Support

	Jabulani Mall		Central City		Thula Plaza	
	Within 2km	2 to 5km	Within 2km	2 to 5km	Within 2km	2 to 5km
Aware of business support organisations	✓ 36.6%	✓ 40.5%	✓ 20.9%	✓ 56.3%	✓ 26.4%	✓ 33.3%
Been approached to participate in/undergo business management training	✓ 31.7%	✓ 39.0%	✓ 11.6%	✓ 56.0%	✓ 22.2%	✓ 28.6%
Training would enable business to grow and locate in modern shopping mall	✓ 92.7%	✓ 97.6%	✓ 87.8%	✓ 93.6%	✓ 90.7%	✓ 95.2%
Would accept training if offered	✓ 80.5%	✓ 92.7%	✓ 93.3%	✓ 97.6%	✓ 92.2%	✓ 86.4%f
Dominant business support needs	✓ Business planning advice ✓ Legal advice ✓ Network forums ✓ Financial support ✓ Product research and information ✓ Marketing assistance ✓ Physical facilities	✓ Financial support ✓ Physical facilities ✓ Network forum ✓ Product research and information ✓ Communication assistance ✓ General business skills training ✓ Marketing assistance	✓ Financial support ✓ General business skills training ✓ Physical facilities ✓ Marketing assistance ✓ Technical advice ✓ Network forums ✓ Business planning advice	✓ Financial support ✓ General business skill training ✓ Business planning advice ✓ Market assistance ✓ Legal advice ✓ Product research and information ✓ Physical facilities ✓ Communication assistance	✓ Financial support ✓ General business skills training ✓ Business planning advice ✓ Legal advice ✓ Marketing assistance ✓ Product research ✓ Communication assistance	✓ Financial support ✓ Communication assistance ✓ General business skills training ✓ Business planning advice ✓ Product research ✓ Networking forums ✓ Physical facilities

It is evident from these findings that there is no clear cut answer with regard to the impact of formal retail centre development in second economy areas – within an urban or rural setting. It is not a straight positive or negative answer.

The dominant negative impact induced by formal retail centre development is increased levels of competition. This, however, induces a number of positive impacts – increased consumer volumes along access roads towards the centre, access to banking facilities, improved supplier linkages, easy access to stock and increased levels of security in proximity to the centres.

Business growth and relocation to formal retail centres are largely the result of the lack of required business management and financial skills in order to develop the local business into a profit turning business which is firstly able to apply for space in these centres successfully (i.e. to submit a business plan with time series business information), and secondly, to afford the exhorbinant rentals in these centres.

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Overall, it is anticipated that the impact of formal retail centre development can be softened by means of effective business support measures aimed at assisting local business development – resulting in an upward shift along the business sophistication scale. This will represent a continuous development programme and not just a once-off project.

CHAPTER THIRTEEN: CENTRE DEVELOPMENT DYNAMICS

13.1   INTRODUCTION

Due to the high risk profile of second economy areas retail centre investors and developers have moved into these areas on a trial and error basis. Over time, however, these investors and developershave learned from past experience and are coming up with ever more successful development concepts. Interviews were held with a number of centre investors and developers to obtain insight into lessons learnt and best practice principles. This chapter highlights the findings of these interviews.

13.2   LESSONS LEARNT AND BEST PRACTICE PRINCIPLES

Lessons learnt and best practice principles are discussed in the subsequent paragraphs under the following mainheadings:

- ✓ General centre size;
- ✓ Ownership and land issues;
- ✓ Project cost structures;
- ✓ Tenanting process and mix;
- ✓ Average centre and tenant rentals;
- ✓ Project development yields;
- ✓ Pre-let conditions and lease periods;
- ✓ Centre design;
- ✓ Consumer settlement;
- ✓ Importance of market research;
- ✓ Perceived impact on local businesses;
- ✓ Correlation with SACSC Shopping Centre Hierarchy;
- ✓ General success factors;
- ✓ Major challenges during development;
- ✓ Overall lessons learnt.

13.2.1 GENERAL CENTRE SIZE

- ✓ Most prominent funds and investors regard **14 000m^2 as the absolute minimum** centre size and most prefer **25 000m^2+ GLA** as an ideal size – this affords them the opportunity to incorporate major banking institutions who (for good reason) seem to be reluctant to occupy space in centres smaller than 15 000m^2.
- ✓ However, it should be understood that with the right location, centres of 5 000m^2 to 10 000m^2 could be very successful (it depends strongly on location and current supply).
- ✓ However, a limited number of national tenants would occupy space in a second economy shopping centre of only 5 000m^2 – 10 000m^2 and hardly any would sign up for a smaller centre due to lack of critical mass.
- ✓ The best performing centres (depending on location) are those centres sized at 25 000m^2 retail GLA and larger.
- ✓ It should be understood that specific developers develop specific products enabling them to detain a specific niche in the market.

13.2.2 OWNERSHIP AND LAND ISSUES

✓ Land ownership and control, as well as land use rights ("business" zoning) are of paramount importance – the site needs to be controlled, preferably by a single stakeholder or a limited number of (private) stakeholders.

✓ Land ownership by a tribal authority or government entity may introduce **timing delays**. Land not zoned or not controlled by a private entity may introduce timing delays of 12 – 24 months and longer.

✓ Land owned by government/ Land Affairs produces problems due to the fact that in most cases ownership is unclear – resulting in extreme time delays.

✓ Tribal land in some cases is also owned by a number of role players who cannot reach an agreement in terms of the sale of land and costs – resulting in time delays that can stretch on for years.

✓ Tribal land does not have title deeds as does municipal land, making it difficult to obtain financial loans.

✓ In a number of cases equity to the value of the land is demanded by local tribes.

✓ Ownership of these retail centre projects is generally vested in **special purpose vehicles or consortiums.**

✓ Smaller developers/investors allow maximum BEE representation of 10% to 20% and larger developers/investors 30% to 35%. It should be understood that BEE representation cannot be compared – some representations are by silent partners and others show active participation in risk taking and value adding.

✓ In general BEE representations are higher where the BEE partner contributes financially towards the project.

✓ In a number of cases the centre is sold to a BEE consortium rather than providing it with shares in the project.

✓ There is also difficulty with the valuation of rural and tribal land.

✓ Land ownership issues should be '**uncomplicated'** (verb), as overly complex challenges beyond the norm may simply encourage developers / investors to move on to less complicated projects/sites.

13.2.3 PROJECT COST STRUCTURES

✓ The cost of land in rural and township areas is very affordable and represents a very small percentage of the total project cost.

✓ However, servicing the land, upgrading the existing services and obtaining the correct land use rights (and required EIA) all increase these costs substantially to approximately 5% to 10% of total project cost.

✓ Un-serviced land: the cost of this ranges between R12.50 to R35/36/m^2 – depending on the location of the land.

✓ Bulk land township values: These range between R550 to R1 200/m^2 – depending on the location of the land and whether it is zoned.

✓ The top structure costs for rural and township areas differ. In general, rural centres represent open plaza type centres with top structure costs of approximately R5 000 to R10 000/m^2. Township centres generally represent enclosed malls with top structure costs of R7 000/m^2 to R13 000/m^2

✓ Projects are generally financed by a bank loan – however, only a few developers/investors can obtain 100% loans. In most cases a 60% - 70% loan to value is obtained.

✓ Banks have become shareholders in some projects – for example Nedbank.

13.2.4 TENANTING PROCESS AND MIX

✓ Most township / second economy consumers insist on first economy tenants, i.e. national tenants typically found in any modern shopping centre in a typical first economy urban setting. Not only is this expectation reasonable, it has become commonplace to tenant second economy shopping centres with such tenants. 'Second rate / tier' tenants (not used here in a derogatory sense but in a strictly financial sense) typically do not succeed in successfully capturing the massive leakage of purchasing power from such markets.

✓ Second economy markets, although attracting an increasing share of new developments, present a comparatively higher risk profile, so risk mitigation for the developer / investor is paramount. Risk mitigation strategies typically include the introduction of a high percentage (95 %+ of centre income) of national tenants; development along a major taxi route and incorporation of a taxi rank (including liaison with taxi associations); and the incorporation of national banks as tenants.

✓ In terms of tenanting strategies – developers commence with a food anchor – centres less than 20 000m^2 GLA allow for a single food anchor. Centres larger than 20 000m^2 GLA allow for two food anchors – for example Pick 'n Pay and Shoprite.

✓ Rural centres are generally anchored by Shoprite. Spar is only viewed as a convenience store and does not represent an anchor in these centres.

✓ Food anchors generally require additional space for expansion – e.g. Shoprite requires approximately 4 000m^2 – 3 000m^2 GLA to be built now and 1 000m^2 GLA in storeroom space for future expansion

✓ Fashion outlets in rural centres are generally represented by the bottom priced nationals like Pep, Jet and Ackermans, whereas,township fashion outlets correlate to a great extent with urban malls.

✓ However, it is important to note a difference in the fact that in urban malls, women represent the key shoppers, whereas in townships, the retail pushers are the male shoppers. Therefore stores like Truworths Man, Markhams etc. outperform stores like Foschini, Milady's etc.

✓ In terms of furniture stores JD, Lewis and Ellerines represent the most preferred tenants.

✓ In terms of restaurants KFC, Chicken Licken, King Pie and Brazen Head represent the most preferred tenants.

✓ Other key tenants include Cashbuild, Build It, Tops Liquor.

✓ No entertainment facilities are included in these centres because such tenants underperform and generally fail in these centres.

✓ In general, township centres allow for one Chinese trader.

✓ The majority of centres are generally characterised by national tenants representing 95%+ of centre income with some centres reflecting lower national tenant representation of 70% of centre income.

✓ Most locals are found operating franchises such as KFC, Debonairs etc. Doctors, hairdressers, traditional food outlets, etc are also common.

✓ Locals cannot afford to move into formal centres and they do not have the expertise and business knowledge to do so.

✓ A centre's success also relies on the investors' ability to attract banks. Second economy areas are strongly characterised by a 'cash culture'. Consumers shop where banking facilities are available and in close proximity to preferred retailers.

✓ Banks are frequently accommodated in centres at extremely low rentals and the required high installation costs are shifted onto the investor/ developer's shoulders.

✓ Banks are generally also not keen to move into smaller centres, however, government is placing increasing pressure on these institutions to provide the local communities with banking services in these centres.

✓ It is also important to note that rural centres are generally characterised by more low-end retailers and township centres by more high-end retailers, e.g. Pep (rural) vs. Markhams (township).

13.2.5 AVERAGE CENTRE AND TENANT RENTALS

✓ Rental through rates differ for open and enclosed malls. A rental through rate of R80 to R90/m^2 needs to be achieved in open centres and R100 to R120/m^2 is the general figure in enclosed centres.

✓ Lower rental through rates will, in all probability, imply the presence of 'second rate' tenants and may translate into a substandard development. Note: the challenge is further complex and anomalous in the sense that nationals typically pay lower rentals.

✓ <u>Grocery anchors</u>: range between R55 and R70/m^2 (township centres R60 to R75/m^2, rural centres R55 to R65/m^2). Spar's rentals are a bit higher, Checkers and Pick 'n Pay are in the middle and Woolworths Food is around R60 to R65/m^2.

✓ <u>Clothing tenants</u>: range between R85 and R140/m^2 (excl. VAT) (township centres R65 to R140/m^2, rural centres R85 to R120/m^2).

✓ <u>Furniture and furnishings</u>: range between R75 and R80/m^2 (excl. VAT).

✓ <u>Entertainment and restaurants</u>: R100/m^2 and higher – KFC recently rented for R175/m^2.

✓ Big nationals pay lower rentals. National tenants pay between R55 and R70/m^2, whereas line shops pay rentals of between R200 and R400/m^2.

✓ National tenants sign up anywhere to keep competition out. They carry limited risks while all the risk is put on the shoulders of the developer and the banker. With a 20% vacancy rate in a particular centre, the national tenants can walk away from underperforming centres without any further responsibility.

13.2.6 PROJECT DEVELOPMENT YIELDS

✓ Due to the higher risk profiles associated with these types of retail centres, smaller investors require paper yields of 11% to 12% to attract their interest, whereas the larger investors require a minimum paper yield[101] of 16% to 17%.

✓ There are such vast difference between urban and rural land dynamics and financial models that a direct comparison between yields is not sensible.

13.2.7 PRE-LET CONDITIONS AND LEASE PERIODS

✓ Banks and investors require that 70% to 85% of centre income should be secured via pre-letting commitments before development is financed or construction commences.

✓ In terms of lease periods – national tenants are required to sign five year leases, locals three years. In the case of purpose-built boxes a minimum lease of 10 years is signed and in some centres the anchor grocery tenants are required to sign 10 year leases.

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[101] Note: Paper yield refers to the envisioned yield calculated by investors based on a set of assumptions before investing in a specific project. This paper yield in the majority of cases differs from the actual yields obtained by investments during operational periods.

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13.2.8 CENTRE DESIGN

- ✓ In terms of centre design, it is evident that most rural centres are developed as open centres and township centres as enclosed malls. When centre size exceeds 20 000m^2 there is a tendency to develop enclosed malls due to the walking distance created by the design.
- ✓ Shopping centre design best practices furthermore dictate that a centre will almost certainly not be configured on more than one shopping level – i.e. the site needs to be of sufficient size to accommodate a single floor retail development.
- ✓ In terms of parking ratios, there is no uniform indication – the larger developers reflect a parking ratio of 4 bays/100m^2 GLA, whereas the smaller developers reflect 3 bays/100m^2 GLA for township centres and 2 bays/100m^2 GLA for rural centres.
- ✓ In general, centre design includes the development of a taxi rank – financed as part of the development. However, if such facilities are provided, buy-in should be obtained from local taxi associations or else these facilities are boycotted and unutilised.
- ✓ In general, developers try to formalise informal trade by providing "trade boxes" around the centre. However, if this is not addressed and managed correctly these facilities remain unutilised.

13.2.9 CONSUMER BEHAVIOUR

- ✓ Developersindicated that, on average, it takes between 18 and 24 months for consumer behaviour to settle after the opening of a new retail centre in a specific locality.

13.2.10 IMPORTANCE OF MARKET RESEARCH

- ✓ The majority of investors conduct market research to test the viability of a proposed centre within a specific locality before centre development commences.
- ✓ However, limited in-centre research is conducted in order to ensure consumer satisfaction, healthy tenant performance etc. This type of research is only conducted in the case of centres which are not performing to the required standard.

13.2.11 PERCEIVED IMPACT ON LOCAL BUSINESSES

- ✓ The general perception is that formal retail centres do have an impact on local traders such as spaza shops and small scale retailers.
- ✓ Developers indicated that these local stores are generally overpriced, impacting negatively on the local community's income profile.
- ✓ Formal retail centres induce a positive impact on the larger community due to the fact that they provide better and more affordable products and services to the mass market.
- ✓ Developers therefore feel that the positive impact of a centre weighs more heavily than the small to moderate negative impact it has on the local business environment.
- ✓ Local businesses require mechanisms to stimulate business development in order to enable them to be successful in a formal retail environment – Local Government, IDC and Khula must help financially and pay for learnership programmes to make local businesses more efficient and help them learn the culture of re-investing in one's business. Local retailers should be equipped with basic business management and financing skills.
- ✓ Overall, it is undisputed that shopping centres create benefits in preventing leakage of disposable income in township areas, in new business formation and the conglomeration of service based activities in township commercial nodes.

13.2.12 CORRELATION WITH SACSC SHOPPING CENTRE HIERARCHY

✓ The larger developers indicated that they are vaguely aware of the SACSC shopping centre hierarchy, whereas the smaller developers indicated that they are not familiar with this hierarchy.

✓ In general, developers indicated that this hierarchy is not at all applicable to the second economy areas and the markets in some townships have matured in such a manner that they accommodate more defined and specialised centres.

✓ Although most developers would prefer to dominate a particular trade area, there is an increasing number of examples of successfully competing developments in second 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 in a synergistic manner.

✓ In general, developers do not have a specific hierarchy in terms of which they classify their retail centres. The function of the centre depends on its location, current supply and the available consumer income of a specific geographic area. Centres of 20 000m^2 retail GLA can operate as regional centres, and centres of 10 000m^2 retail GLA as community centres.

13.2.13 GENERAL SUCCESS FACTORS

✓ The dominant success factors relate to location, critical mass, accessibility, visibility and tenant mix.

✓ Critical mass is very important – centres of approximately 15 000m^2 retail GLA are the worst affected if larger centres enter the market, because the majority of these centres are developed on land with limited expansion potential.

✓ Shopping centres typically serve as powerful nodal development catalysts and create opportunities for ancillary commercial development. Hence, space should ideally be available to accommodate future expansion.

13.2.14 MAJOR CHALLENGES DURING DEVELOPMENT

✓ The major challenges relate to the issue of land:
  • Tribal land is difficult to obtain due to multiple ownership, lack of agreement and the absence of title deeds – resulting in very long waiting periods – in one case a developer waited for nearly 20 years to access certain portion of land.
  • State land is difficult to obtain due to lack of clarity in terms of ownership – municipal land, Land Affairs etc.
  • Land availability in township areas is limited due to the lack of proper town planning and town layouts.

✓ Tedious and lengthy processes to rezone the land and EIA approval cause delays in the overall development process.

✓ In terms of BEE, locals frequently want to get on board without contributing or performing.

✓ Smaller investors are experiencing problems with financing due to the economic recession and access to loans.

✓ In terms of tenanting, the largest challenge is to attract banks to the centres, followed by the positioning of tenants within the centre.

✓ Other challenges are found during construction: locals complain because they do not get the contracts, but they lack the expertise. This generally results in a number of labour strikes.

13.2.15 OVERALL LESSONS LEARNT

✓ Centres should be developed at the right locations with the correct critical mass and tenant composition.

✓ Shopping centres typically serve as powerful nodal development catalysts and create opportunities for ancillary commercial development. Hence, space should ideally be available to accommodate future expansion.

✓ Local buy-in is critical for the success of the centre and facilities such as taxi ranks and formalised informal trade facilities.

13.3   SYNTHESIS

If one or a number of the above criteria cannot be met, or if expectations (and hence the risk burden) set by the municipality for a developer exceed the norm, it may prove extremely difficult (if not impossible) to attract a reputable developer / fund to such a project.

The subsequent chapter integrates the findings of this chapter with the findings of the previous chapters into a SWOT analysis.

CHAPTER FOURTEEN: SWOT ANALYSIS AND IMPACT ASSESSMENT

14.1   INTRODUCTION

This chapter integrates the findings of the previous chapters into a SWOT analysis, demonstrating the impact that the development of formal retail centres in second economy areas have had on the local communities, local business environments and the retail industry in these second economy areas in general.

This analysis assists with the identification of key intervention types that will be required in order to streamline the industry in these areas – to minimise the negative impacts and strengthen the positive impacts (to be dealt with in more depth in the recommendations chapter).

14.2   SWOT ANALYSIS – CENTRE IMPACT ON LOCAL COMMUNITY

Figure 14.1 indicates the strengths, weaknesses, opportunities and threats pertaining to formal retail centre development within second economy communities.

Figure 14.1: SWOT Analysis – Centre Impact on Local Community

Strength

Increase Convenience of Shopping locally

Reduced transport cost

Reduced travel cost

Increased local retail expenditure

Reduced leakage of buying power

Provide quality goods and services locally

Centre offers a safe and secure shopping environment

Provides a wider range of goods and services locally

The centre offers higher levels of credit

Improved interface with informal trade

Formal Job Creation

Perceived demand to extend centre – focus on entertainment, restaurants, convenience, financial services, health care

Weaknesses

Decline in support towards local traders

Continued support towards previously supported retail centres

Decline in informal trade

Closure of local businesses

Specific commodities not available – Entertainment, Restaurants, Financial Services

Aspects to be addressed to attract more consumers: improve security, more affordable and up-market tenants, entertainment & restaurants, open air facilities, increase size and more fashion

Opportunities

Consumer Elasticity

Growth in household income

Stability of consumer market due to social grants

Provision of lower priced products and services to the mass consumers

Development of complimentary uses to strengthen nodal function

Threats

Crime

Lack of community support

Taxi Association Conflict – not using provided facilities

Low levels of public sector investment in the area

Lack of local government support

Source: Demacon, 2010

14.3   SWOT ANALYSIS – CENTRE IMPACT ON LOCAL BUSINESS ENVIRONMENT

Figure 14.2 indicates the strengths, weaknesses, opportunities and threats pertaining to the impact of formal retail centre development on the local business environment in second economy areas.

Figure 14.2: SWOT Analysis – Centre Impact on Local Business Environment

Strength

Increased Consumer Volumes
Increased Safety and Security
Informal Trade Facilities
Supplier linkages
Availability of stock
Proximity to banks
Increase in local businesses
Nodal advantages

Weaknesses

Increased Levels of Competition
Redirecting of consumer volumes
Local business closure
Product duplication
Price competitiveness
Inability to compete with nationals
Inability to relocate to formal retail centres
Product Recognition
Informal Nature of businesses

Opportunities

Local Business Development
Upward movement along business sophistication scale
Formalisation of informal business
Product refinement, diversification, branding and marketing
Government Support
Networking Opportunities
Supplier Linkages – Special Discounts
Provision of business premises at affordable levels

Threats

Crime and theft
Lack of Business Support
Lack of Funding
Economic Recession
Input and Operational Costs
Unawareness of business support and related organisations

Source: Demacon, 2010

14.4   SWOT ANALYSIS – INDUSTRY IMPACT ON SECOND ECONOMY AREAS

Figure 14.3 indicates the strengths, weaknesses, opportunities and threats pertaining to the formal retail industry impact within second economy areas.

Figure 14.3: SWOT Analysis – Industry Impact on Second Economy Areas

Strength
Unexploited areas

Stability of second economy consumer market

Expansion opportunities

Smaller centres can fulfil regional function

Moderate to higher yields

Township rentals on par with urban centres

Expansion of retail hierarchy in townships

High representation and commitment of nationals

Easy access to finance if title deed to land

Provision of public transport facilities and trade facilities

Weaknesses
Access to land and title deed

Equity for tribal land

BEE requirements

Low accommodation of line shops and local shops

Require critical mass

Banks difficult to get into centres

Entertainment facilities weakest performers

Cannibalisation of the market

Limited expansion potential

Current SACSC hierarchy not applicable

Opportunities
Reduced interest rates

Stabilising inflation

Increased consumer confidence

Increased Social Grants

Local Business Support – contributed to business formalisation

Development of second economy retail hierarchy

Threats
Lack of local government support

Tedious application processes

Wrong location

Lack of Local buy-in

Tenant mix must be 'spot on'

Source: Demacon, 2010

14.5   SYNTHESIS

This chapter highlighted the strengths, opportunities, weaknesses and threats pertaining to formal retail centre development in second economy areas from three perspectives – local community impact, local business impact and overall industry impact. This analysis highlights the key aspects to be addressed to streamline the industry within these second economy areas.

Overall Second Economy Shopping Centre Impact

Table 14.1: Overall Impact of Second Economy Shopping Centres in South Africa

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

✓   *Source: Demacon, 2010*
✓   *Note: This impact reflects figures for total retail floor space developed between 1980 and 2009.*
✓   *Construction cost @ R13 000/m²*
✓   *Annual Trading Density @ R21 000/m²*
✓   *Employment Factor @ 1 employee/30m² retail GLA*
✓   *Turnover @ 25% of Business Sales*
✓   *Business Tax @ 29% of Business Turnover*
✓   *Rates and Taxes @ R8.50 * 12 * total floor space.*

Overall, it is evident that second economy shopping centre development has contributed R34.2 billion worth of business sales, R2.5 billion worth of business tax and R166 million worth of rates and taxes and approximately 54 300 permanent jobs to the national economy since the 1980s.   Emphasis must be placed on the fact that   business tax and rates and tax income is not obtainable from informal businesses.

Figure 14.1: Overall Impact of Second Economy Shopping Centres in South Africa (Net Present Values)
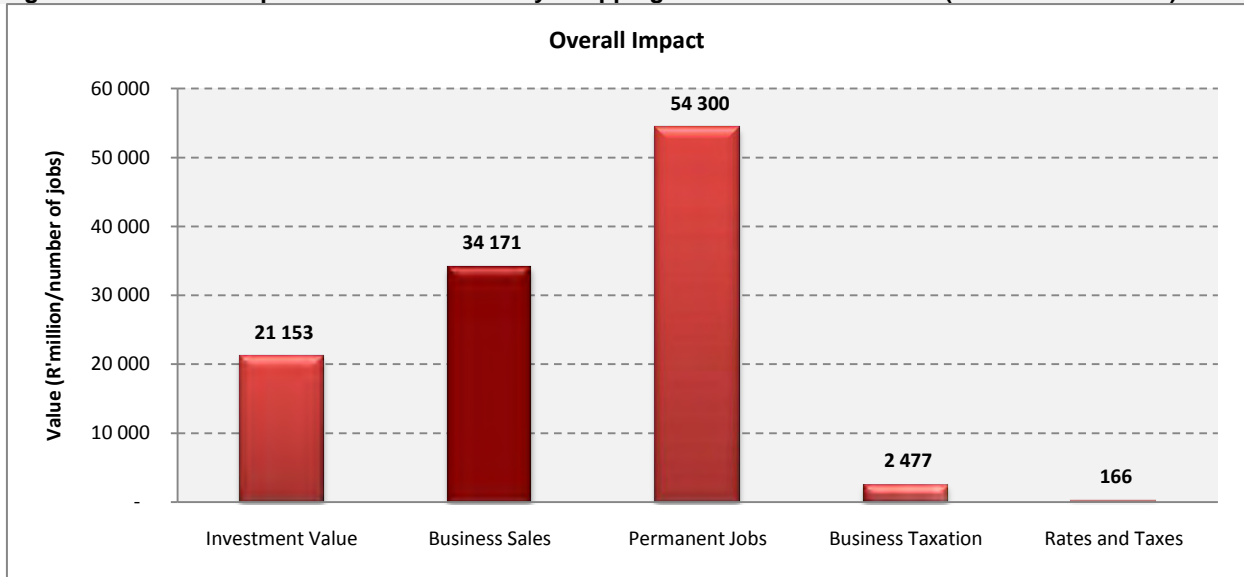
Source: Demacon, 2010

The subsequent chapter integrates all the findings into a set of development recommendations that will assist in maximising the benefits and minimising the negative impacts of retail centre development in second economy areas.

CHAPTER FIFTEEN: RECOMMENDATIONS

15.1   INTRODUCTION

Up to this point the market research contributed to the development of a comprehensive understanding of retail centre development in second economy areas. It also contributed to an understanding of the positive and negative impacts that retail centre development has on second economy areas. It further examined the impeding factors underlying retail development in second economy areas from a developer's and funder's point of view.

The purpose of this chapter is to integrate these findings into effective leverage mechanisms to improve the evolving role and function of retail centre development in second economy areas and to minimise the negative impacts thereof.

This chapter focuses firstly on recommendations for formal retail centre development in second economy areas, and secondly on local business support measures to strengthen the local business environment, which will enable it to absorb the impact of such developments and to increase its overall level of sophistication.

15.2   FORMAL RETAIL CENTRE DEVELOPMENT RECOMMENDATIONS

Overall, retail centres represent <u>critical building blocks</u> of nodal development within second economy areas – serving as <u>catalytic anchors</u>. They should however, be developed in the right location with sufficient space for the site to develop into a mature mixed use node over time.

Diagram 15.1 indicates the critical inputs for retail centre development in second economy areas, key role players involved and the key challenges underlying their inputs.

Overall the critical inputs required for retail centre development include:

✓ Land;
✓ Capital;
✓ Human resources;
✓ Statutory approvals and authorisation;
✓ Market potential – critical demand thresholds.

These inputs are obtained from a number of key role players – local municipality, district and provincial government, tribal authorities and the private sector and NGOs. However, each of these role players faces a number of challenges with regard to their inputs into the process.

Therefore, to streamline retail centre development in these areas and to increase the positive impact thereof, these challenges should be overcome. Specific leverage mechanisms are required to reach this objective – refer to Table 15.1.

Diagram 15.1: Critical Inputs, Role Players and Challenges of Retail Centre Development in Second Economy Areas

CRITICAL INPUTS

- ✓ Land
- ✓ Capital
- ✓ Human Resources & Skills
- ✓ Statutory Approvals & Authorisations
- ✓ Market Potential – Critical Demand Thresholds

Local Municipality

Inputs:
- ✓ Land
- ✓ Capital – infrastructure, services, social facilities
- ✓ Town planning –township layouts
- ✓ Regulatory Instruments – zoning, building control, by-laws
- ✓ Safety and Security
- ✓ Maintenance & operation of public facilities and infrastructure

Challenges:
- ✓ Accessing resources – budgets and land
- ✓ Release of municipal land
- ✓ Red tape in terms of delivery systems
- ✓ Statutory approval difficulties and delays
- ✓ Human Resource Capacity constraints
- ✓ Maintenance of conducive business environment around investment

District & Provincial Government

Inputs:
- ✓ Land
- ✓ Public Infrastructure
- ✓ Capital
- ✓ Statutory Approvals & Authorisation

Challenges:
- ✓ Accessing resources – budgets and land
- ✓ Inappropriate departmental standards and delivery systems
- ✓ Statutory approval difficulties & Delays

Tribal Authorities

Inputs:
- ✓ Land
- ✓ Political Support

Challenges:
- ✓ Multiple Ownership
- ✓ Time delays of agreement process
- ✓ Land not under-scribed by title deed
- ✓ Demanded Equity
- ✓

Private Sector & NGOs

Inputs:
- ✓ Investment
- ✓ Top structure
- ✓ Services/upgrade of services
- ✓ Road network
- ✓ Taxi facility
- ✓ Informal trade facilities
- ✓ Critical mass
- ✓ Spot on tenant mix
- ✓ Supportive Commercial and Residential Uses

Challenges:
- ✓ Securing of land in suitable location
- ✓ Insufficient size of available land
- ✓ Availability and quality of municipal services
- ✓ Availability and quality of surrounding road network and access
- ✓ Access to finance
- ✓ BEE requirements
- ✓ Lack of retail hierarchy – result in cannibalisation
- ✓ Provision of critical mass
- ✓ Inducing appropriate tenant mix
- ✓ Local Community buy-in
- ✓ Local Taxi Association buy-in
- ✓ Local Trader buy-in
- ✓ Attracting complimentary economic uses – offices, light industries etc.
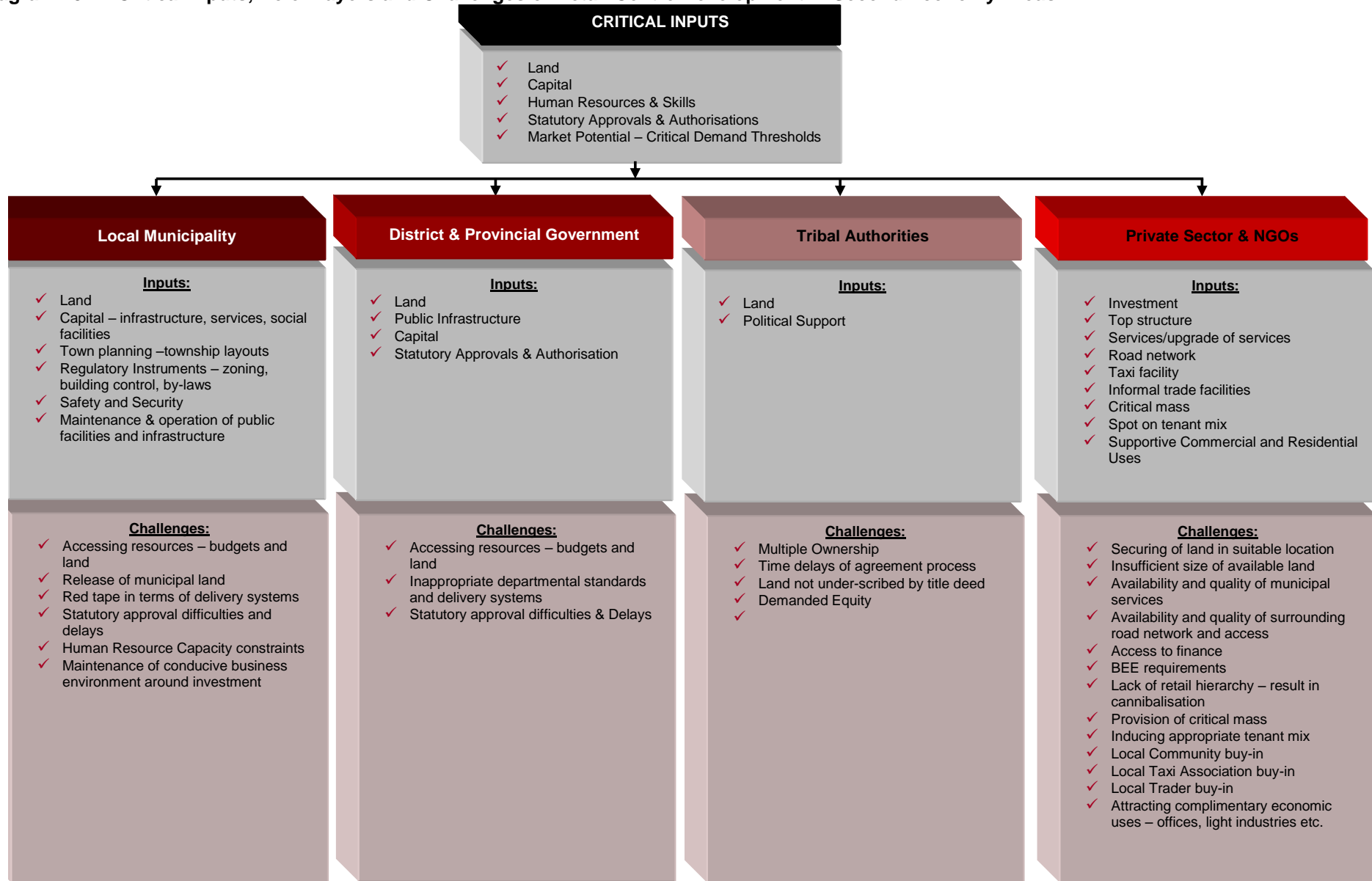
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Table 15.1: Leverage Mechanisms for Retail Centre Development

Leverage Mechanisms	Description
Making government land available	✓ Develop an inventory of available government land in the area ✓ Identify portions of land to be made available at related market values ✓ Put land out on tender
Township layouts should provide for an economic node	✓ Township layouts should make provision for economic nodes anchored by retail centres ✓ Development guidelines and a precinct plan should be developed for the node ✓ Provision should be made for a sizeable portion of land to accommodate a retail centre of between 15 000m^2 and 30 000m^2 retail GLA (between 4.5 and 9.0 hectares). ✓ Provision should also be made for future growth and expansion and diversification of the node ✓ This should be supported by additional land to accommodate supporting uses – offices, light industries, mixed income residential uses and public/social facilities – resulting in a vibrant mixed use node ✓ Economic node should be located within a highly accessible and visible location – with emphasis on linkages with public transport facilities, high volumes of daily commuters etc. ✓ The focus of nodal development should be on capturing the mass and momentum of nodal synergies ✓ It should be supported by the correct land use rights in order to speed up the development process ✓ If township layouts originally did not make provision for such nodes, they should be revised and land use rights should be revised accordingly ✓ Open the township register to accommodate the sale and transfer of land in the node
Public sector commitment	✓ Develop and maintain public infrastructure in and around the economic node where private sector investment is located ✓ Provide and upgrade services (water, electricity and sewerage) as incentives to private sector investment in these second economy areas ✓ Improve accessibility via main road and internal road network development and upgrades as well as via pedestrian walkway development and upgrades ✓ Invest in public facility development – community healthcare centres, government department offices, pension pay points, police stations etc. as part of the nodal development
Streamline application processes	✓ Prioritise retail centre applications in these second economy areas ✓ Provide concessions on rezoning applications ✓ Provide a service advising applicants on zoning application requirements – contributing to fast tracked approvals ✓ Ensure an integrated town planning scheme
Service delivery in second economy areas	✓ Government must prioritise service delivery in second economy areas – with emphasis on the location of proposed mixed use nodes ✓ Allocate municipal budgets for service delivery in these nodes
Obtaining tribal land	✓ Develop an inventory of the various portions of tribal land that are suitable for private sector investment ✓ Conduct meetings with tribal authorities in terms of the availability of tribal land for private sector investment ✓ Offer certain incentives to tribal authorities for the land
Develop a retail hierarchy	✓ Due to the fact that the specific location and current supply determine the role and function of a centre within a second economy area it is recommended that a more simplified retail typology should be applied in these areas:

Leverage Mechanisms	Description

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

- ✓ The hierarchy is based on the international shopping centre hierarchy
- ✓ The focus of this hierarchy is on the size of the centre
- ✓ Correlation exists between the size of the centre and its function
- ✓ Smaller centres in smaller rural and township areas can fulfil the function of larger centres
- ✓ The hierarchy will therefore consist of a range of retail centres of various sizes
- ✓ The market carrying capacity will determine the number and sizes of centres that could be developed in these areas.

Ensuring critical mass and tenant mix
- ✓ Conduct market research in order to determine the ideal retail centre size, making provision for future expansion
- ✓ Conduct market research in order to match tenants with consumer market characteristics and demand profile
- ✓ Increase critical mass by developing mixed income residential projects in direct proximity to proposed development site
- ✓ Provide incentives to attract financial institutions to move into the centre

Community buy-in
- ✓ Involve the local community in the planning and development process
- ✓ Hold public meetings, workshops and briefing sessions in which the advantages of the centre are discussed
- ✓ Provide information, explanations and options with regard to centre composition, role, function, local businesses support, taxi facilities etc.

Local taxi association buy-in
- ✓ Involve the local taxi associations in the planning and development process
- ✓ Discuss the requirements of these associations pertaining to the size of the rank and supporting facilities

Local trader buy-in
- ✓ Involve the local traders in the development and planning process pertaining to formalised informal trade facilities provided
- ✓ Discuss the requirements of these informal traders and develop concepts for the various types of facilities that could be offered at different rentals
- ✓ Reach an agreement and, in association with local council, allocate facilities to informal traders
- ✓ Develop by-laws to regulate these traders and enforce these by-laws on a regular basis – by means of local police

Improve safety and security
- ✓ Improve visibility and frequency of policing in and around this node
- ✓ Appoint local security company to secure the retail centre
- ✓ Implement CCTV system within business node
- ✓ Introduce security through design mechanisms

Ensure clean environment
- ✓ Appoint local cleaning / waste removal companies to ensure a clean and clutter free business environment

Business growth and development
- ✓ Addressed subsequently

15.3   LOCAL BUSINESS SUPPORT AND DEVELOPMENT RECOMMENDATIONS

In order to minimise the impact that formal retail centre development has on the local business environment, specific support measures should be put in place to strengthen, develop and formalise local businesses.   Alternative business models should also be promoted to accommodate SMMEs within or in proximity to formal retail centres – refer to section 15.4.

This will enable increased employment creation and will assist in increasing the overall level of sophistication of these businesses enabling them to develop in such a manner that they will be able to occupy space within formal retail centres.

Local business/SMME development requires specific inputs as indicated by Diagram 15.2. The key inputs include:

- ✓   Funding;
- ✓   Business facilities;
- ✓   Business management and skills training;
- ✓   Business development support;
- ✓   Financial systems.

These inputs are largely obtained from different spheres of government, business development service providers and small businesses/SMMEs. These role players also face a number of challenges in providing the required inputs – Refer to Diagram 15.2.

In order to overcome these challenges specific leverage mechanisms are required to ensure delivery – Refer to Table 15.2.

Diagram 15.2: Local Business Support and Development

CRITICAL INPUTS

- ✓ Funding
- ✓ Business Facilities
- ✓ Business Management and Skills Training
- ✓ Business Development Support
- ✓ Financial System

Government

Inputs:
- ✓ Conducive business environment
- ✓ Business and Community Support Centres
- ✓ Local Business Facilities
- ✓ Business Hives
- ✓ Trader facilities
- ✓ Regulatory Instruments – land use, home businesses, by-laws
- ✓ Market Research & Identification of business opportunities
- ✓ Investment in education – ECD/ ABET/ FET

Challenges:
- ✓ Lack of knowledge in terms of SMMEs
- ✓ Accessing municipal budgets for infrastructure
- ✓ Release of municipal land/buildings
- ✓ Providing business facilities at correct location
- ✓ Human resource capacity constraints
- ✓ Allocation process, management and enforcement of trader facilities and by-laws
- ✓ Restrictive measures on home businesses
- ✓ Lack of specified business zones within township layouts
- ✓ Promotion and learnership recruitment for ECD/ ABET/ FET colleges
- ✓ Promotion of Business Development Services
- ✓ Lack of a body coordinating SMME activities in the area

Business Development Service Providers

Inputs:
- ✓ Financial Support
- ✓ Business Development Support
- ✓ Business Support Network
- ✓ Business Training
- ✓ Product Development
- ✓ Marketing Support

Challenges:
- ✓ Unawareness of Business Development Service Providers
- ✓ Inaccessibility of Business Development Services
- ✓ Lack of coordination between Government, NGOs and Private Sector
- ✓ Limited Knowledge of SMME Skill Requirements
- ✓ Linkages between SMMEs and formal larger businesses

Small Businesses/SMMEs

Inputs:
- ✓ Financial Investment
- ✓ Existing Skills
- ✓ Product or Service Provided

Challenges:
- ✓ Cannot meet requirements to access funding
- ✓ Lack of effective management skills
- ✓ Lack of financial systems
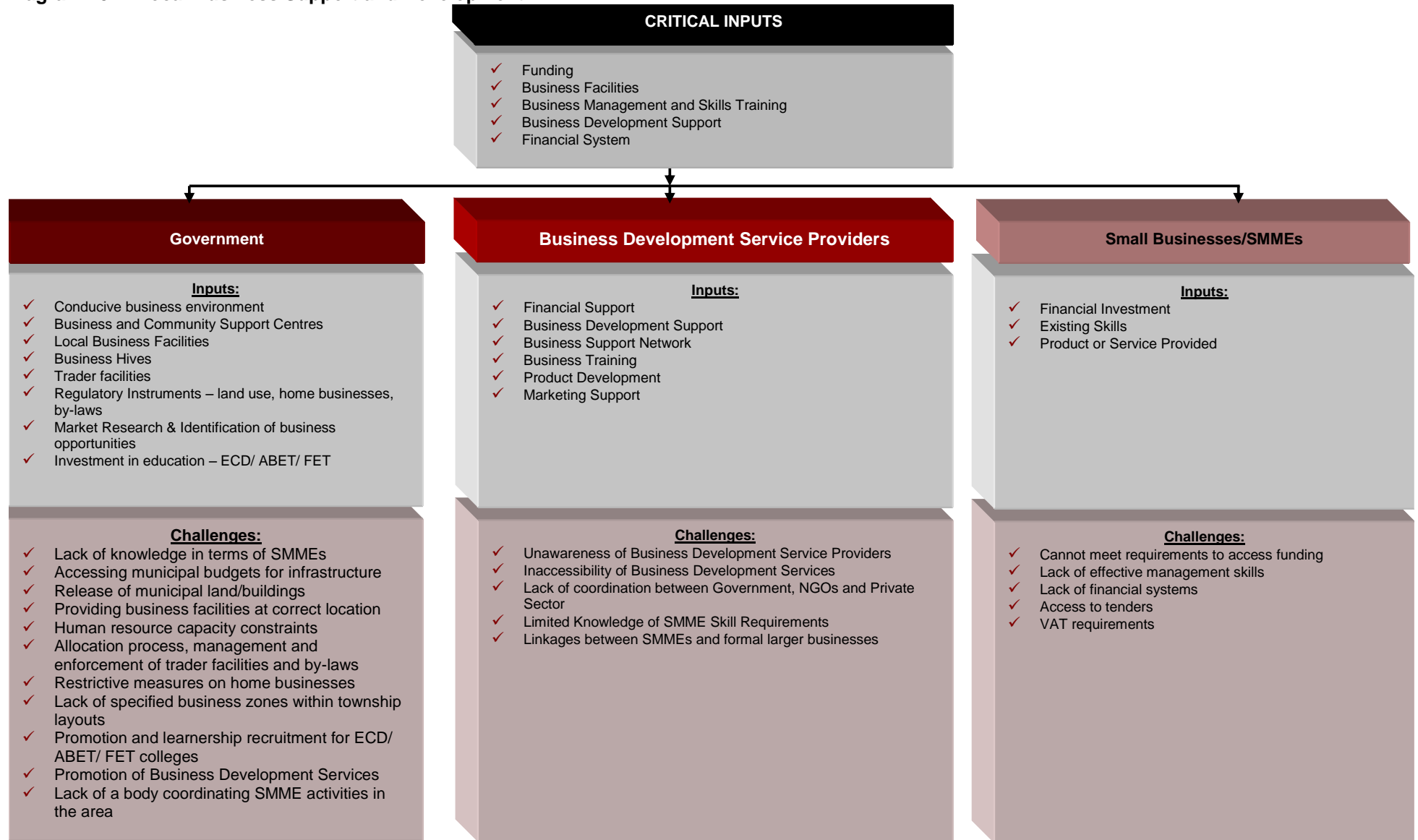- ✓ Access to tenders
- ✓ VAT requirements

Table 15.2: Leverage Mechanisms for Local Business Support and Development

Initiatives	Description
Compile and regularly update SMME database	✓ Compile a SMME database for the township/rural area ✓ Classify SMMEs according to business sophistication measure ✓ Develop SMME economic performance and contribution monitoring system ✓ Monitor the performance of the SMMEs regularly and provide feedback via information sessions
Establish a SMME forum	✓ It enables SMME networking ✓ Information sharing ✓ Linkages to big businesses

Establish a one stop information centre	✓ The centre should be linked to:
	  • Municipal LED desk and forum
	  • SMME business development services
	  • SMME capacity building and skills development services
	✓ This enables easy access to information, advice, market and government and procurement opportunities

Develop local business support centre and business hives	✓ Develop a local business support centre or satellite of existing centres ✓ Develop SMME hive – emphasis on retail and service industries ✓ This should be integrated into one building

Capacity building and skills development programmes	✓ Conduct a SMME skills audit of SMMEs in the locality to identify skills gaps
	✓ Develop and implement skills and capacity development programmes from the audit
	✓ Implement the following generic capacity building programmes:
	  • Entrepreneurship
	  • Small business management
	  • Financial management
	  • Marketing, pricing and promotion
	  • Human resources management
	  • Tendering and procurement processes
	  • Various technical skills
	✓ Research and develop SMME incubation programmes with sectors to include post incubation support

SMME incubation and mentorship programmes	✓ This should be done based on a sectoral approach

Regular economic evaluation and information dissemination to SMMEs on	✓ Communicate the following information to SMMEs on a regular basis – through the forum, public information sessions or workshops:
	  • Declining economic sectors
	  • Growing sectors
	  • Stable sectors
	  • Sectors with investment potential
	  • New SMME opportunities

SMME business development and support	✓ SEDA to establish presence within the local area
	✓ Hold information sessions in townships and market the various business development support services and role players:
	
	✓ National support institutions:
	  • Department of Trade and Industry (DTI)
	  • Small Enterprise Development Agency (SEDA) – non-financial support programmes
	  • Khula Finance – financial support programmes
	  • Industrial Development Corporation (IDC) – finance and incentives
	  • The Business Place – national network of walk-in entrepreneurial centres.
	✓ National finance Institutions:
	  • Business Partners – loan amount R150k to R15 million
	  • Commercial banks – loan amount R60k to R120 million
	  • Khula Retail Financial Intermediaries – loan amount R5k to R120 million
	  • Khula Credit Guarantee Scheme – loan amount R120k to R600k
	  • Industrial Development Corporation – loan amount – R200k to R15 million
	  • Sizani Advisory Services – loan amount R100k upwards
	  • South African Micro Finance Apex Fund – loan amount up to R10k
	  • Umsobomvu Youth Fund – loan amount not specified
	  • Zimele – equity financing up to R1.5 million.
	✓ National Business Networks:
	  • Foundation of African Business and Consumer Services (FABCOS)

Initiatives	Description
	– umbrella body of black business organisations active in informal sector • Afrikaanse Handelinstituut (AHI) – multi-sectoral employer organisation • South African Chamber of Business (SACOB) – represents nearly 100 local business chambers • Black Management Forum (BMF) – helps empower managerial leadership, develop ownership and creation of managerial structures and processes • National Business Initiative (NBI) – public interest organisation with over 180 leading SA and international companies as its members – aims to help business community contribute to socio-economic progress, employment creation and delivery of basic services within local government structures. • Business and community support centres – a range of provincial centres ✓ Training providers, agencies and courses: • Online Training Courses - LearntheNet, Centre for Business Management, Fred Pryor Seminars • Organisations and Associations – inwent, Free Market Foundation, SETA, Institute of Quality, Institute of Administration and Commerce, Thrive Learning Facilitation, Triple Trust Organisation, South African National Accreditation System • Business Courses – MBA, Certificate in Small Business Management, Micro-eMBA, Butterworths labour relations training • Distance Education – Unisa, Technikons, Universities, Colleges • Skills Training – ABET, The skills Portal, Institute for Quality, Northlink College ✓ Assist local SMMEs to apply for financial support ✓ Local municipality should revise their procurement policies to favour local SMMEs ✓ Organise and sponsor SMME Entrepreneur of the Year Awards ✓ Conduct SMME awareness campaigns within the area
Provision of accessible and affordable business premises	✓ Delineate an SMME zone within the township ✓ Provide a range of business facilities at affordable rentals – business premises, offices, market stalls, etc ✓ These facilities should be serviced with water and electricity ✓ Formal business premises should also be serviced by telecommunication ✓ Informal trade facilities can include a basic trading area ($2m^2$ for R68 per month – share water, storage, shelter), trading pods($6m^2$ for R130 per month – electricity, water and storage - sharing) and kiosks ($25m^2$ for R188 per month – water, electricity, storage, roof) ✓ Restrictions on home based businesses should also be addressed – promoting Home based industries
Evaluation of tax regime	✓ SMMEs face the burden of tax compliance – tax clearance and VAT remittance ✓ Government should evaluate the tax regime to lessen the burden on SMMEs ✓ Local municipalities should also develop investment policies and incentives to encourage SMME growth – through rebates, tax holidays and preferential procurement
Formalisation of SMMEs	✓ Focus on the Business Sophistication Measure – Level 5 and 6 – representing the ideal type of businesses to be formalised. ✓ Aim business development support services towards these type of businesses ✓ This will enable increased employment creation within second economy areas.

15.4 TOWARDS A MODEL FOR DIVERSIFIED COMMERCIAL TOWNSHIP NODES

The reality of the real estate development environment is that the market is extremely well segmented and specialised, i.e. very specific developers and funds provide a very particular type of product only to a very specific segment of the market. Hence, the market is characterised by very specific networks and systems that have slowly evolved over time, straddling all sectors of the market, including banking / financing, tenanting, design, development, etc. If one facet is out of kilter, the system comes to a grinding halt - hence the

difficulty of recruiting and incorporating low-key local traders into a formal scheme. Franchise opportunities do exist, but not all local traders are suitably equipped and focused to trade in a shopping centre environment – perhaps in a part of the larger node, in a suitably configured scheme, but not within the centre per se.

Subsequent paragraphs provide an overview of some aspects which may become future components of ever expanding mixed use township commercial nodes. None of the following are actually regarded as workable best practise solutions by the industry, but they may provide a basis from which future models and solutions could be derived.

Examples analysed include Blue Haze Mall in Hazyview (Mpumalanga), Pan Africa in Alexandra (Johannesburg) and Mapleton Shopping Centre and Trader Square (Ekurhuleni, Gauteng).

Blue Haze Mall, Hazyview, Mpumalanga

This modern regional shopping centre is currently the largest shopping centre in Mpumalanga and Limpopo province with close to 200 shops. It has approximately 54 500m^2 of retail GLA and consists of 186 shops over three retail floors, as well as 1 500 parking bays. It was developed in 2005 by Twin City Hazytoo (Pty) Ltd.

- ✓ Anchor tenants include: Superspar, Standard Bank, FNB, Pep Stores, Ackermans, Jet, Ellerines, Boxer, Pick n Pay, Edgars, Woolworths, Mr. Price, Foschini, Clicks, ABSA, Nedbank, Truworths and KFC.
- ✓ What makes this centre different or unique in a sense is the high representation of non-nationals within the centre.
- ✓ An interesting characteristic is the high number of wholesalers – examples include BH Cash 'n Carry, Angor Trading, Mirza Wholesalers, Boxer Superstore, Ansari Wholesalers, Helen Wholesalers, Lucky Wholesalers and many more.
- ✓ These wholesalers are supported by a range of factory and local stores – predominantly fashion orientated – examples include Sabbath Factory Store, Hop Fashion, Dora Fashions, Mr America, Kazi & Sons, Street Beat, Mano Fashion, Mary Fashion and many more.
- ✓ Another interesting characteristic is the financial services located in the mall beside the national banks – Money Wise, Izwe Loans, Beuka Loans, HV Financial Services, Loan Wise just to name a few.
- ✓ The majority of these non-nationals represent Indian businesses, contributing to the success of the centre due to the affordability and price bargaining of these traders – as is evident from other centres such as Oriental Plaza, in Fordsburg, Johannesburg.
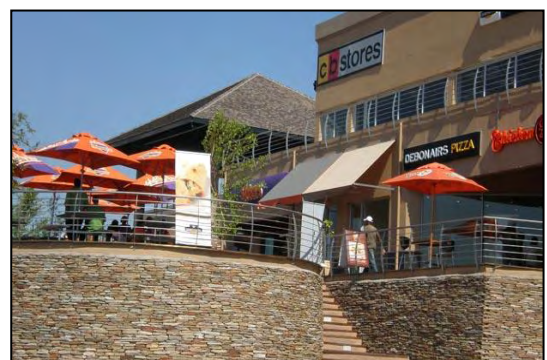
Pan Africa Shopping Centre, Alexandra, Johannesburg

Pan Africa Shopping Centre represents a comprehensive retail and taxi node including a super-efficient 50 000m^2 taxi rank, three level holding facility, public parking and structured informal trading. The combined retail offering of the node exceeds 40 000m^2 – equivalent to that of a regional shopping mall.

Pan Africa Shopping Centre is located at the entrance to Alexandra – 10 000 people and 1 500 operating taxis use the area every day. A new formal retail centre of approximately 16 000m^2 retail GLA now forms part of the mix. It is anchored by Pick 'n Pay and supported by leading national tenants such as Exact, John Craig, Skipper Bar, Legit, Link Pharmacy, Jet Mart, Pep, Markham, Post Office, Nedbank, Savells, Fairdeal, Glomail, Multiserve, OK furniture, Vodacom, MTN. 80% of the retail centre is filled by these national tenants, supported by 20% of regional and local shops – ranging from fashion and beauty to medical, internet cafés and DVD rentals.

It also includes an impressive variety of food outlets – McDonalds, King Pie, Steers, Debonairs, Fish 'n Chips, KFC, Milky Lane, Captain Dorego's etc. It is said that the integration of the new centre as part of the very busy transport hub was, without a doubt, the most challenging aspect of the project but also the most satisfactory – due to the creation of an incredibly convenient shopping experience for consumers. The mall was developed by the Pan Africa DevCo – a development company established by TebfinDevelopments in partnership with local entrepreneurs and the two main taxi associations in Alexandra – ATA and ARMSTA.
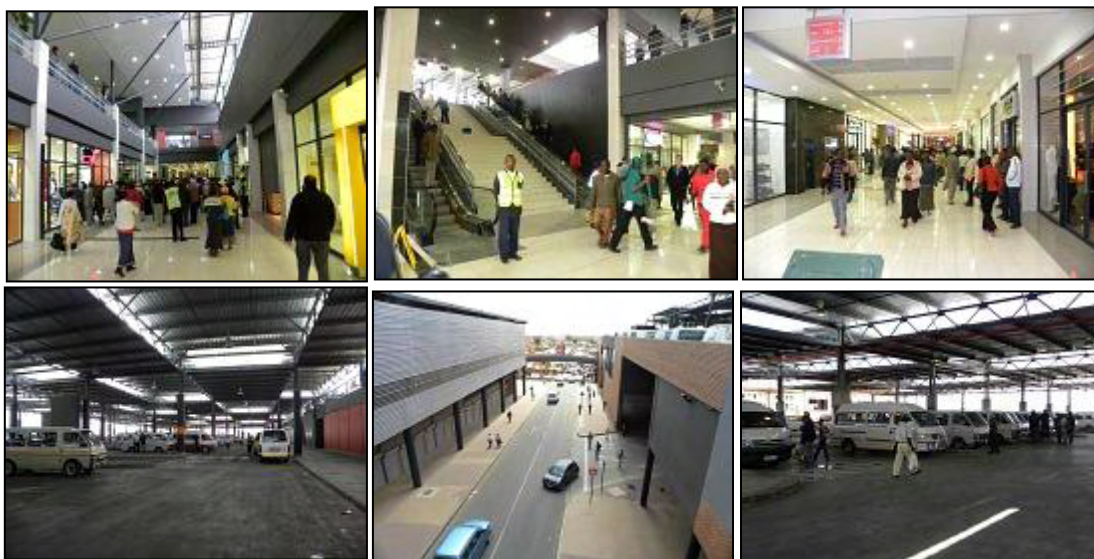
Mapleton Shopping Centre and Trader Square, Ekurhuleni, Gauteng

Another alternative that has emerged, although much smaller in scale, is the development of trader squares next to or in proximity to formal retail shopping centres to accommodate local businesses. An example is the trader square in Mapleton, developed by a local developer next to the Pumula Cash 'n Carry. Tenants are represented by local SMMEs paying affordable rentals.

In developing an alternative model for mixed use township nodes, the following should be taken into consideration:

✓ Second economy areas are characterised by a very active retail market.

✓ The market in these areas has flourished for very specific reasons, including under-supply and the fact that these markets are not overly regulated (specifically from a town planning regulatory point of view) – this should be viewed as positive.

✓ On the supply side, the market is well segmented and specialised.

✓ Land issues, almost without exception, dictate project progress and viability.

✓ Due to established leasing networks, it would be virtually impossible for a listed fund or scheme to recruit local traders into a new scheme. Established networks of brokers and retailers allow developments to be 70-80% tenanted within six to12 months. The tenanting process entails a rigorous process of tenant screening and selection - including detailed assessments of business plans, historic sales performance, financial track records and forecasts. This network and associated information is virtually non-existent in second economy markets, and undermines potential local tenant recruitment. Government, parastatals and local business entrepreneurs would have to invest heavily in business development in order to bridge this gap.

✓ Opportunities exist to develop and diversify local township economies by leveraging developments as part of such mixed use nodes – in most instances, a formal commercial development serves as nodal anchor and catalyst for further development.

✓ The tenanting requirements of township shopping centres are intricately entwined with the risk profile of the project. Most local traders cannot be absorbed into formal centres for lack of financial sophistication and business models. Developments aimed at addressing this gap in the development cycle may be a prudent intervention – as this aspect is strongly associated with SMME development, a government function.

✓ The opportunity exists to develop more affordable trading space for SMMEs. Such opportunities are augmented by the development of a modern mall. Possible schemes could investigate appropriate support mechanisms for local developers to draw maximum benefit from such location advantages.

✓ None of the above three models are viewed as best practice examples by the industry, but selected elements may serve to suggest opportunities that could be enhanced and provided for in future as part of mixed use township nodes. The notion of developing double storey retail is not regarded as a viable solution for financial reasons and because of the fact that first floor traders typically experience 30-40% less foot traffic compared with ground floor tenants.

Retail development in second economy areas is clearly dynamic and vastly complex – a solution suitable to the dynamic in one market area can simply not be superimposed on another market area. Financial viability models are highly sensitive to variables such as land cost, local equity shares and holding costs - arguably more so than in first economy areas. Land dynamics in second economy markets, in particular in rural areas (although the problem is not limited solely to these areas), pose significant challenges to viable commercial development: unserviced land is often brought into the equation by the local community / tribal authority (mostly at no direct cost / expense to themselves).

Although this land is factored into the viability as 'equity', it more often than not, does not have the appropriate zoning and bulk services have to be brought to the site at great expense - all at the developer's expense. In addition, numerous development groups indicated that over and above the equity share and annual dividends to be paid to the local tribal authority / trust, the chiefs often demand further, more direct 'financial benefits' for themselves - which tend to escalate as the land accumulates value; effectively renderting many projects unviable and unattractive, sometimes years after project negotiations commenced and principal agreements were reached. In addition to the abovementioned interventions, the findings of this investigation furthermore suggest that there is merit in addressing the inefficiencies of the tribal system, in particular its hamstringing effect on economic development in many rural areas with commercial potential.

Second economy retail markets represent an extremely active market segment and every indication is that these markets should be spurred on rather than burdened; and deregulated rather than regulated. Almost without exception, a local dynamic emerges that benefits local stakeholders. The emphasis should largely be on leveraging the effect of the investment by stimulating local development and investment in the node, rather than by creating additional financial and procedural burdens for which developers and funds are not geared. The introduction of such interventions will almost certainly stifle a market segment which has been, at least in part, a stronghold of our SA real estate market and economy in extremely challenging times. In this context, it is worth noting that, even with the buoyancy of this market segment, only two (as far as could be established) township shopping centres received bank funding approval during the course of 2009 – one by McCormick and one by Heriot.

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