

The South African Cities Network Township Retail Case Studies TTRI By: Phumlani Mbulawa




BACKGROUND



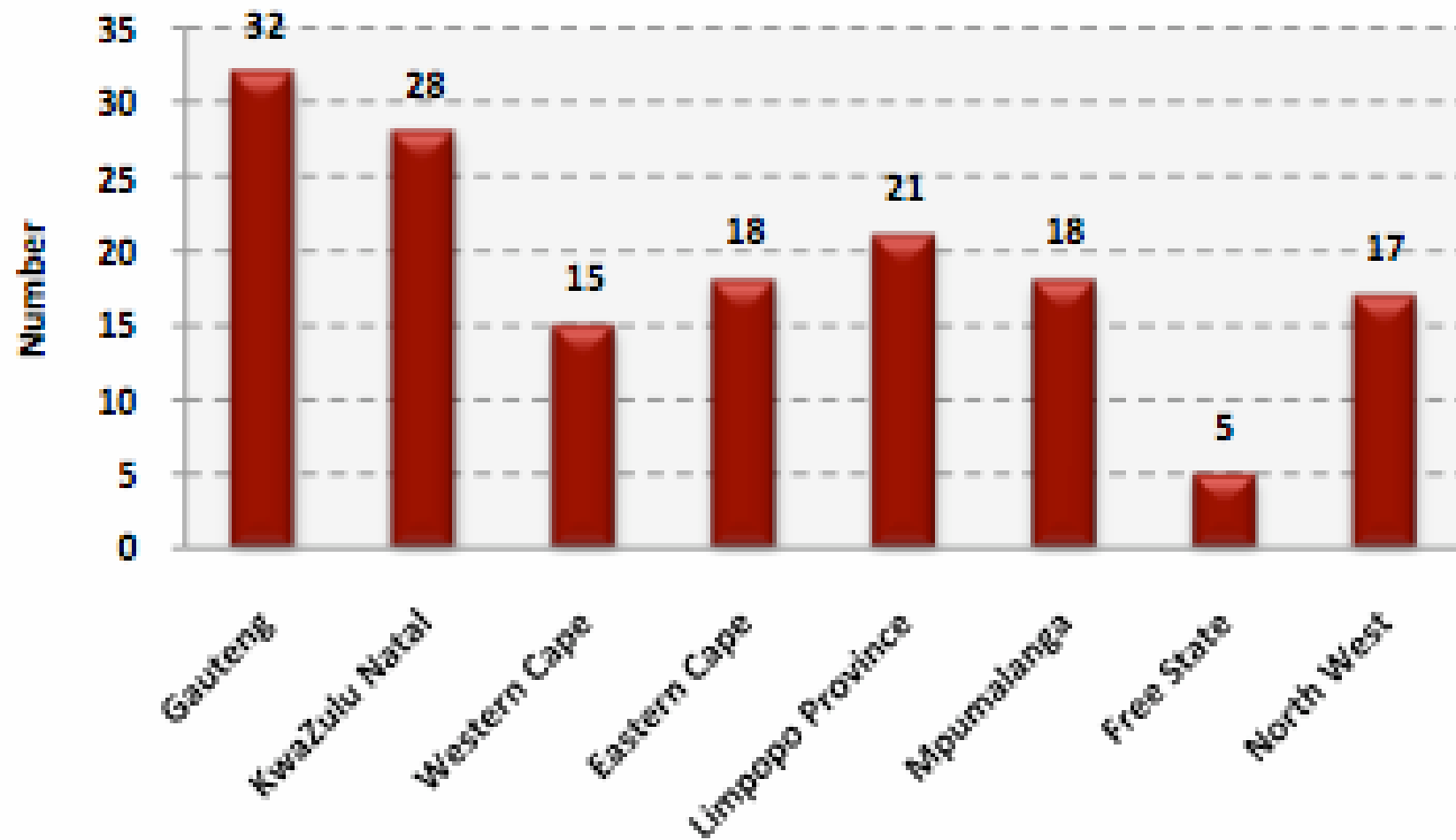
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- The case study provides an overview of the impact of such shopping centres on consumers and local enterprises.
 - It suggests some strategies that a municipality can consider in order to reduce the negative impact and increase the positive impact of a retail centre..
 - The case study primarily draws on research undertaken by DEMACON Market Studies, commissioned by Urban LandMark*.

TRENDS IN RETAIL CENTRE DEVELOPMENT




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- In rural and township areas, i.e. second economy areas, in South Africa
 - Nationally, 116 retail centres had been developed in second economy areas. Of the 116 developed since 1962, 66 were developed in the 37 years between 1962 and 1999 and 50 in the 10 years between 2000 and 2009.
 - The average size of shopping centre, measured in terms of retail floor space, increased from 6 500m² before 1994, to almost 20 000m² post 1994.

Total Number of Centres

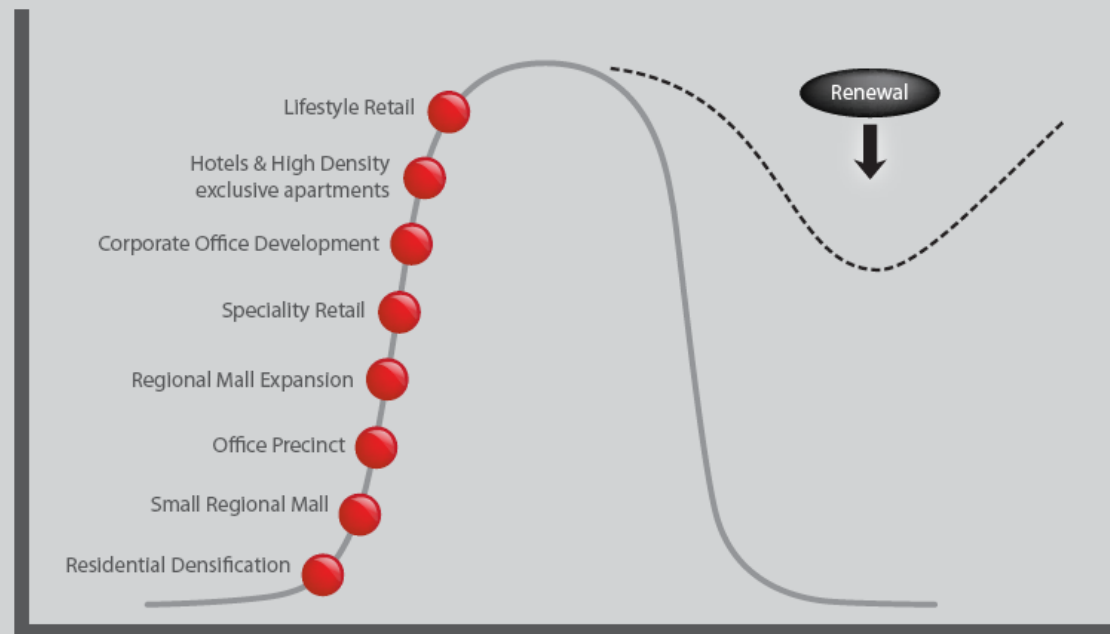



RETAIL CENTRES AS ANCHORS FOR DEVELOPMENT





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- In second economy areas, there is potential for a retail centre to act as a focus around which further development occurs.
 - This nodal development pattern may follow a cycle as shown in Figure 3. In such a model, the retail centre is the first non-residential development that takes place in the area.


NODAL DEVELOPMENT CYCLE




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- Currently, in most township areas this will be a small regional shopping centre.
 - The retail centre in turn attracts further development in terms of offices and local shops in the area surrounding the centre
 - After a few years, the retail centre needs to be refurbished to encourage the next developmental phase or 'renewal' of the area.

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- In second economy areas, such a mixed-use nodal development path takes time to evolve.
 - The critical mass of consumers needed to make the retail centre viable, has to be developed.
 - It requires coordination and phased approaches with both public and private investment.


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- The location of the centre and whether or not there is sufficient space for the mixed use node to expand over time, are also important factors in determining the nodal development trend.


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- The development node tends to evolve according to a specific sequence of types of retail centres.
 - For example, an open plaza to which people may make short visits to specific shops may evolve into, or be followed by, an enclosed mall in which consumers may spend 2 or 3 hours, visiting a variety of shops, perhaps having a meal or seeing a movie.


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- In order to identify areas that could benefit from such nodal development, it is useful to have an overview of the different types of retail centres and the way in which the economy of a retail centre functions.
 - It is also important to be aware of the pre-conditions that are needed for a retail centre development.

UNDERSTANDING RETAIL CENTRE DEVELOPMENTS



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- Retail centres are classified according to their size, specifically the area of floor space for which rent can be charged (GLA). Their size depends on their location and their potential to draw consumers from surrounding areas.
 - The diversity in the types of centres in second economy areas has increased since 1990.


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- Before 1990, the centres developed were mostly small local convenience centres, with a supermarket and between 5-25 stores, and neighbourhood centres which also include some small specialised stores.
 - After 1990 there was a stronger trend towards community centres, which typically served a suburban community (between 8 500 and 17 800 households) and included a large supermarket, small national clothing stores etc

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- After 1994, regional centres became part of the mix, with between 150-250 stores including hypermarkets, entertainment services and more choice in clothing stores and other services.

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

KEY CONSIDERATIONS IN DETERMINING RETAIL CENTRE DEVELOPMENTS



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- A Suitable location
 - Potential Market
 - Available Land
 - Commitment from Local Government



A SUITABLE LOCATION

- Be accessible to the potential consumer market in the surrounding areas, with adequate roads and public transport links
- include sufficient space for future expansion of the centre
- have no obvious risks to ecological sustainability of the area.



A POTENTIAL MARKET

- It is important to have an understanding of the potential market for the centre as this will determine its size and financial viability. Usually, the developer will undertake market research to find out:
- the critical mass of consumers needed to support a retail centre of a particular size;



A POTENTIAL MARKET

- the shops and services, i.e. the retail centre tenants, that will most appeal to the consumers in that area
- existing, or potential, retail centres that may compete with the proposed centre. In second economy areas this is particularly important given the generally low level of disposable income amongst the population.



AVAILABLE LAND

- The ownership of the land and the process of negotiating the lease or sale of the land and obtaining the land use rights needs to be clear.
- In rural areas, challenges related to land availability may lead to delays in a project, see for example Nkowa Nkowa



COMMITTEMENT FROM LOCAL GOVERNMENT

- If the retail centre is to be sustainable in the long-term and contribute to the future development of the area, the local municipality needs to be committed to fulfilling its responsibilities, for example in terms of approval of development rights (zoning, environmental impact assessments, land availability agreements),



COMMITEMENT FROM LOCAL GOVERNMENT


- provision and maintenance of infrastructure for the centre itself and other public amenities in the surrounding area. This will include residential service delivery, road maintenance, safety and security, support for local businesses.

SECTION 2



IMPACT OF RETAIL CENTRES





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- This section presents some of the negative and positive impacts of retail centres on local community development in second economy areas. It covers:
 - a) local consumers
 - b) local businesses, including informal traders.

MEASURES OF SUCCESS

	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

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- A successful retail centre needs to provide a positive return on the investment and sustain the retail activities of its tenants.
 - For this reason, when we establish criteria for assessing the success of a retail centre we need to consider the extent to which the centre contributes to:

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



EXAMPLE: BLUE HAZE MALL

- It began as a small centre, in about 1995, and gradually changed and grew over time, it was not planned as a large centre from the beginning
- The developers understood that to make the centre successful they had to work with local traders and taxi operators who already had a vested interest in the area



EXAMPLE: BLUE HAZE MALL


- The developers understood the particular development dynamics in the local area, and the need to increase local and regional demand rather than rely too heavily on the tourist market in the area


SECTION 3




IMPACT OF RETAIL CENTRES ON CONSUMERS



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- Research findings from the DEMACON study of the five retail centres, indicated an overall positive impact of the retail centres on consumers.
 - Overall, the findings of the survey indicate that the shopping centres had a generally positive impact on consumers.

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- Respondents perceived the following benefits of a local retail centre:
 - savings in time and money that they used to spend travelling to centres further away
 - a safe and secure place to shop
 - access to a variety of affordable, quality goods
 - access to banking services and higher levels of credit.




NOTE: The Higher level of credit offered could have a negative impact if it encourages people to spend beyond their means.


SECTION 4





IMPACT OF RETAIL CENTRES ON LOCAL BUSINESS




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

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

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

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

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- Recent research indicates that the impact of a retail centre on local businesses is likely to be complex and cannot simply be considered in relation to competition with the national chain stores in the centre.



POSITIVE IMPACTS ON LOCAL BUSINESS

- The Demacon survey of Jabulani Mall and Central City showed that as a result of the development of the centres, some local businesses continued to thrive, some moved closer to the centres, and some stayed in existence, but provided different services.



POSITIVE IMPACTS ON LOCAL BUSINESS

- The potential benefits of a centre for local businesses in second economy areas include:
- increased numbers of consumers along the roads leading to the centre
- access to banking facilities
- improved supplier linkages
- increased levels of security .



OPPORTUNITIES FOR SOME LOCAL BUSINESS TO BECOME TENANTS IN THE CENTRE

- There is potential for local businesses to become tenants in a retail centre.

OPPORTUNITIES FOR SOME LOCAL BUSINESS TO BECOME TENANTS IN THE CENTRE

- An example in a more urban area is the Pan Africa shopping centre in Alexandra, Johannesburg in which 80% of the retail centre's space is rented by national businesses, and 20% by regional and local shops.



LOCAL BUSINESSES AS PARTNERS IN THE DEVELOPMENT

- During the development of some retail centres, local businesses were included in the planning process. This helped to identify ways in which the centre could accommodate their needs, especially those that may have to be relocated whilst the centre is developed
- Example: Pan Africa Mall in Alexandria



DEVELOPMENT OF NEW TRADING AREAS OUTSIDE THE CENTRE

- An advantage of informal traders is their ability to move to different areas. Many have taken advantage of the changes in traffic and pedestrian flows created by a retail centre. This has resulted in new trading areas, or work zones being created.



NEGATIVE IMPACTS ON LOCAL BUSINESS


- Competition from the shops in the centre
- Local business unable to become tenants in the centre
- Decline in passing trade for some business


SECTION 5



STRATEGIES FOR SUCCESSFUL RETAIL CENTRE DEVELOPMENT



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- Keep the bigger picture in mind;
 - Take account of the local context;
 - Beware of vested interests and greed driving the process;
 - Consider the markets dynamics and financial considerations when planning the centre;
 - Take account of different types of developers;
 - Consider the negative impact of competition between centres;

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- Start small and allow for future growth and expansion;
 - Ensure commitment from other players and affected parties;
 - Ensure adequate maintenance of the centre and surrounding infrastructure
 - Provide ongoing training and support for the development of local businesses
 - Implement a long-term monitoring and evaluation process



THE END

