

The development of formal retail centres in South Africa's 'emerging economy' areas- Rob McGaffin, Urban LandMark

a. Emerging retail centres and TOD

Rob McGaffin, Urban LandMark's 'Functional Markets' theme co-ordinator, provided a brief overview of work that has been done in the sector on the emerging retail centres and their relationship to transport interchanges.

Retail is one of the few significant forms of investment occurring in the emerging market areas in our cities. Retail investment was initially slow, but a number of centres were built after the 1970s, which became a rush. It is estimated that ZAR21 billion worth of retail investment has taken place in emerging economies since the 1980s. Approximately 75% of the National Treasury's Neighbourhood Development Programme Grant (NDPG) is targeted towards retail-orientated intervention. Over the last decade 25% of all formal centres have been in emerging economic areas driven mainly by changing LSM factors in those areas, and increases in social grants. This has been coupled with the private sector looking for new opportunities, and untapped markets.

b. Impact on consumer and traders

The impact on consumers has generally been positive and perception surveys have demonstrated the perceived positive impacts of reduced travel and cost, and the greater availability of choice. The impact on small business¹ demonstrated that some small businesses have suffered, yet others have grown and have been able to tap into and trade on the back of these developments. In fact, the formal centres have brought people in and improved business opportunities. Other work by authors such as Piper, Petersen and Charman² have also demonstrated that local residents still go to local shops for daily needs, but instead of going outside the area for larger monthly shopping, they now do it within the larger shopping centres in the area. Interesting findings include the fact that there is a reciprocal relationship between small traders and formal shops where traders trade off the back of centres, but also found that the centres were trading off the back of traders, which was not as one-sided as one would expect (this is a mutually beneficial relationship). There are generally no formal relationships between the shops and traders and very little stock came from formal centres. There is also little competition owing to market differentiation around who is targeted. It is also important not to be too quick to homogenise or categorise these businesses. There are big distinctions between traders and how they operate and there are also big differences in levels of sophistication. Some traders are very entrepreneurial and some are survivalists - there are different dynamics in different enterprises. There are also significant differences in business practices and how enterprises become competitive i.e. the ability to procure and bulk buy.

c. Traders formalised into the retail context?

¹ Ligthelm, A.A. (2009). Small business sustainability in a changed trade environment: the Soweto case. Bureau of Market Research, UNISA.

² Charman, A, Petersen, L., and Piper, L., 2011: Spaza shops in Delft: the changing face of township entrepreneurship Paper presented at the South African City Studies Conference: 7-9 September 2011; Theme 5: Social materialities, economic transformants. <http://livelihoods.org.za/wp-content/uploads/2011/08/Spaza-shops-in-Delft-South-the-changing-face-of-township-entrepreneurship-Version-1-August-2011.pdf>

In one of the surveys, traders were asked whether they wanted to be incorporated into the formal centres. There was a 50/50 split in responses, some wanted to, others not – the answers very much depended on the operating models of the traders, some of which are incompatible with formal stores and require greater flexibility in trading practices, such as the ability to move as and when needed to respond to changed transport patterns. A fixed space can undermine these business activities. In addition, many of the small traders are not registered for VAT and a number of the goods sold were pirated; both issues make it difficult to put these traders into a formal context. Design and interface between the traders and the formal centres is very important but ironically, the amount of facilities has not been correlated with success and in some of the areas where little has been provided, there have been some of the greatest successes. How to manage the interface between formal and informal has also been seen as an important issue. One of the most successful formulations of management has been where the traders have some buy-in and where a traders' forum takes over some management and sub-leases down some activities such as security and cleaning. Where there has been good management with buy-in, they have been far more successful in getting market-related rentals.

d. Concluding remarks

In conclusion, it is possible to maximise the positive impacts of retail centres and minimise their negative impact, while at the same time ensuring their viability. In order to do so it is important that the sector understands the logic behind them. However, it is also important to realise that the capital investment and borrowing required to develop a centre result in developers having to be risk averse, especially in the current economic climate. Hence, the room to deviate from accepted investment practices is very limited and therefore engagement around how centres can benefit and contribute to local economic development should be realistic and mindful of prevailing conditions.