

Soweto malls strangle smaller shops

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DEVELOPMENT of big shopping malls in the townships and drastic changes in township retail structures are forcing small businesses to close down because of heightened competition.

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

Maponya Mall is so far the largest, opened in 2007 and constructed at a cost of more than R370m with more than 60000sqm of prime shopping space and more than 180 tenants trading in it.

The total construction fee for the 45000sqm Jabulani Mall is estimated at R320m, and it boasts 107 stores, mostly retail.

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

They pose a serious challenge because local customers, young and old, have deserted the traditional township supermarkets developed during the apartheid era, opting to shop at bigger and more established mall chain shops.

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

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

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

The trend of building big malls in the townships is spreading all over the country, making it hard for local entrepreneurs to compete, because most cannot afford to pay between R30 000 and R35 000 a month in rent.

Prof Andre Ligthelm, of the University of SA's Bureau for Market Research, says according to surveys conducted in Soweto recently, 38,3% of small businesses in the township had closed a year after the establishment of malls.

"The rapid increase in consumer expenditure by residents in townships and the fact that most dwellers do not want to move out of their townships create substantial market potential in these areas, with large shopping malls being developed," he says.

Ligthelm's study shows small business stock in Soweto declined by 40,7% from 2007 to last year.

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

"I wanted my business to grow beyond the level that it was before," Nkosi says. "It is very much easier to make a turnover of about R100 000 a month at Maponya Mall compared to where I was before in Dube, because here I see many clients."

Nkosi says he was disappointed that an entrepreneurship and small business development conference in Soweto, organised by the University of Johannesburg's Centre for Small Business Development last week, turned into a talk show.

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

"Talking without action is meaningless. They organise big conferences every year, inviting people to participate in their talk shows but doing very little to revive the livelihood of small businesses."

Thami Mazwai, director of the Centre for Small Business Development, says a fundamental change in approach is needed. All role players should put greater focus on a knowledge-driven economic revitalisation of previously disadvantaged businesses.

Fiona Tregenna, an economist from the University of Johannesburg says the possibility can be considered of an industrial zone in or adjacent to Soweto.

The zone could provide consolidated support systems and also promote linkages, or networks, among small, medium-sized and micro enterprises.

This article appeared on the Inet-Bridge, Business Day and IOL websites