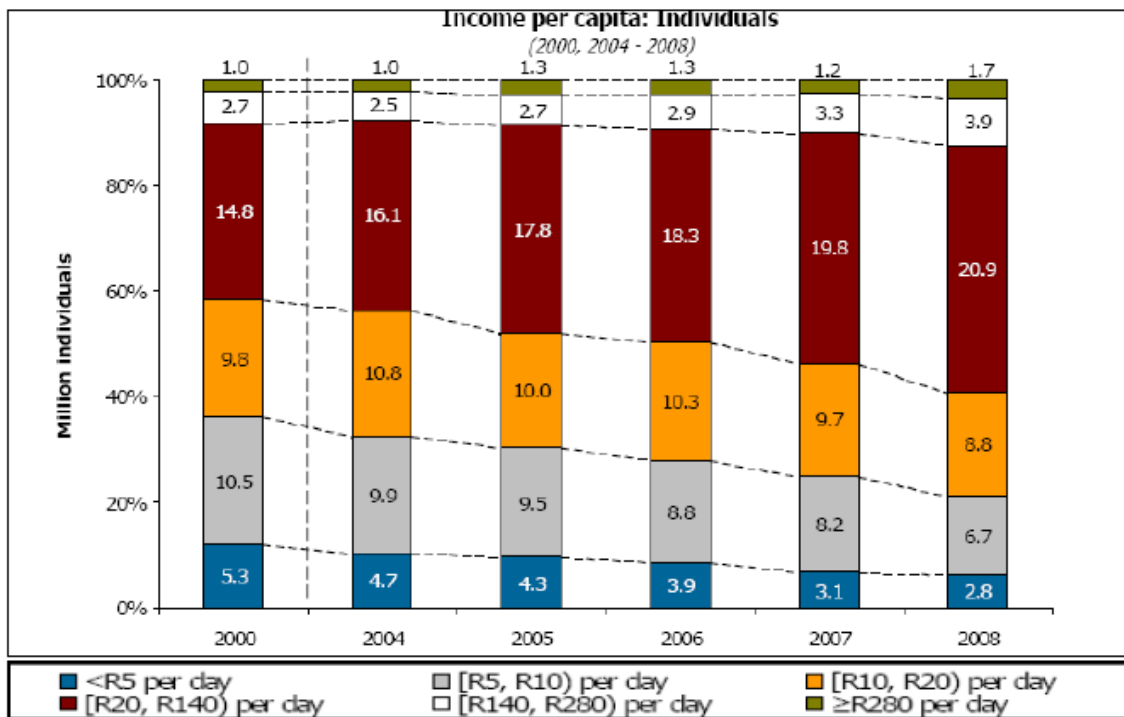


# Shopping centres in township areas: Blessing or curse?

by Robert McGaffin

Township and rural area economy have been boosted over the past 15 years by the significant growth of the black middle class and the expansion of the social grant system (See graph 1). This growth in income and the saturation of retail centres in suburban areas, have led to a rapid increase in the number and size of formal shopping centres in township and rural areas. Graphs 2 and 3 show the number and size of shopping centres developed in second economy areas since 1962, which total 160 centres containing approximately 1,7 million square metres of retail floor space. 53% of this floor space has been developed since 2000.

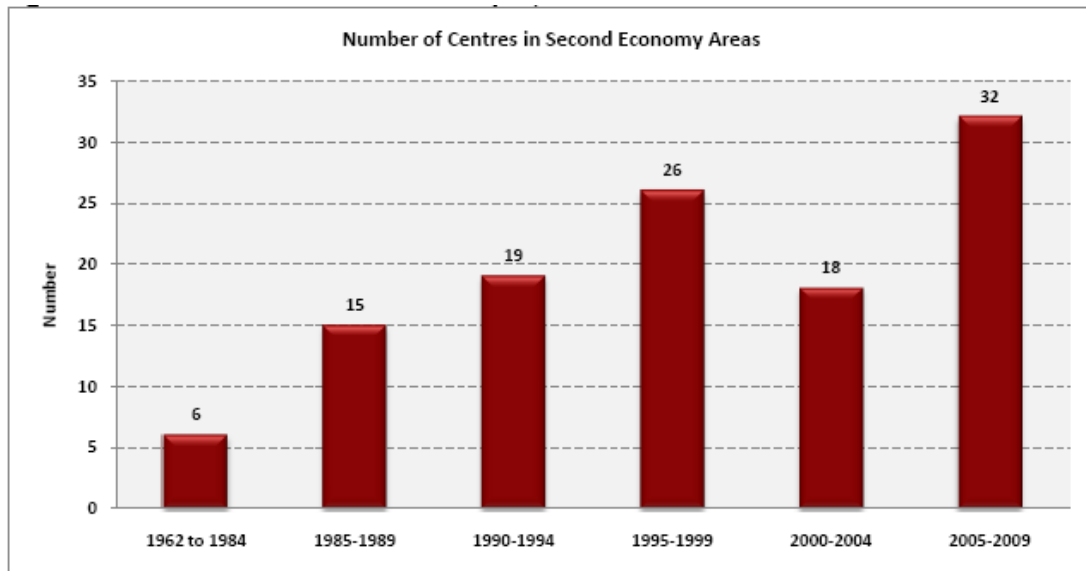
Fig. 1



Source: Eighty 20, 2009  
 Note: Based on AMPS RA Household, 2004-2008  
 Actual amounts have been inflated to June 2008 Rands using CPIIX Inflatons.

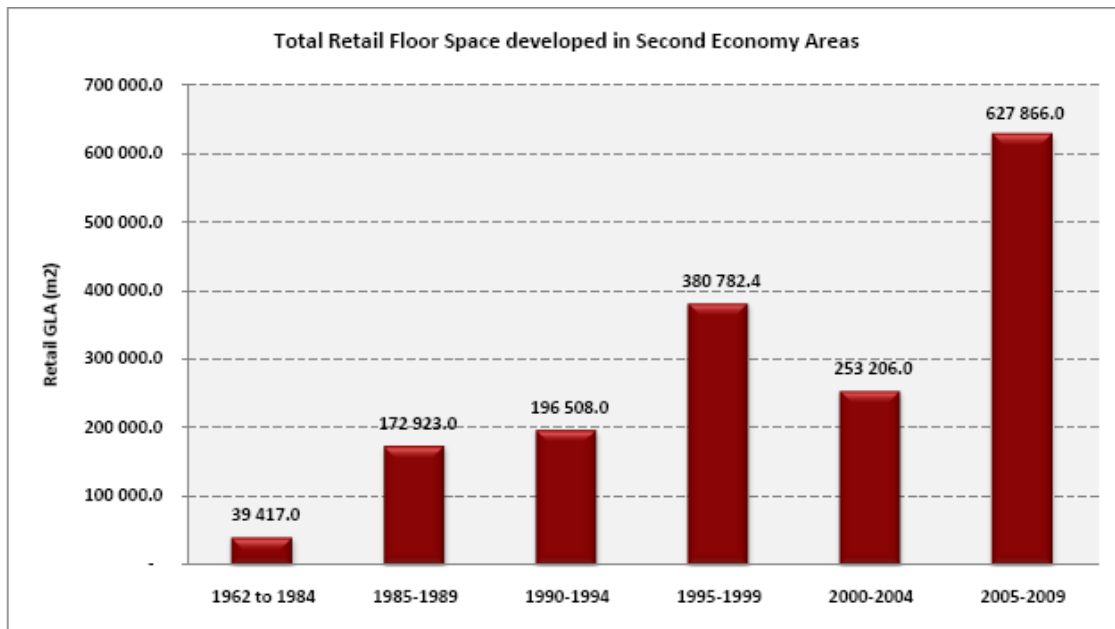
The growth of these centres has been met with mixed reactions. Some feel that these centres undermine the survival and growth of local small enterprises while others argue that these centres bring a wider range of goods at a lower price closer to the local population. Furthermore, others state that these centres can play an important catalytic role in stimulating nodal development in these areas.

Fig. 2: Growth of shopping centres in second-economy areas



Source: Demacon, 2009

Fig.3: Total retail floor space developed in second-economy areas between 1962 – 2009



Source: Demacon, 2009

As a result, Urban LandMark has commissioned Demacon Market Studies to investigate the impact of these centres in township areas. The main objectives of the study are to:

- Document the growth and extent of formal shopping centres in township and rural areas

- Identify the impact of such centres on local consumers, local enterprises and the local economies
- Identify concrete interventions to optimise the positive impacts and minimise the negative consequences of the development of these centres in these areas.

Both qualitative and quantitative methods are being used to undertake the study. Quantitatively, consumer and local business surveys are being undertaken in the following six case-study areas:

- Jabulani Mall - Soweto, Gauteng
- Central City – Mabopane, Gauteng
- Liberty Promenade – Mitchell’s Plein, Western Cape
- Umlazi Mega City – Umlazi, KwaZulu-Natal
- Thula Plaza – Bushbuckridge, Mpumalanga
- Nkowa Nkowa – Tzaneen, Limpopo

Qualitatively, face-to-face interviews are being undertaken with developers and investors involved in retail development in these secondary economies.

The study is still underway, but the preliminary findings on the impact of one of these centres (Jabulani Mall) on local consumers, and to a lesser degree on small businesses, are outlined below.<sup>1</sup>

Jabulani Mall is a 44,000m<sup>2</sup> shopping centre situated on the corner of Koma and Bolani Roads in Soweto. It was developed in 2006. The impact of the mall is summarised in table 1 below, which looks at a “before and after” scenario:

*Table 1: Impact of Jabulani Mall – Selected Indicators*

	<b>Before development of centre</b>	<b>After development of centre</b>	
Percentage of shopping done outside of the area	61%	36%	Positive impact
Average weighted travel time to supported formal retail centres	25 minutes	15 minutes	Positive impact

<sup>1</sup> The local business surveys are still being completed and will be reported on at a later date.

Average weighted transport cost to supported formal retail centres	R15.60	R10.40	Positive impact
Average weighted transport cost to local traders	R12.70	R9.70	Positive impact
Average weighted travel time to local traders	16 minutes	10,5 minutes	Positive impact
Weighted percentage spent at local traders	25%	14%	Negative impact

Source: Demacon, 2009

The preliminary results of the survey also show the following impacts on local informal traders and businesses after the development of the mall:

	YES	NO
No change	76,4%	23,61%
Informal traders moved closer to the mall	16,5%	83,49%
No. of informal traders declined	25%	75%
Local businesses relocated closer to the mall	19,3%	80,73%
Local businesses closed down	38,5%	61,47%
Local businesses relocated to the mall	22%	77,98%

Source: Demacon, 2009

The above findings show that based on a particular set of indicators, the development of the Jabulani Mall has had a generally positive impact. This is reinforced by the fact that 96% of the consumer survey respondents rated their overall level of satisfaction with the mall as “acceptable” to “very positive”. Similarly, 73% of the consumer survey respondents indicated a perceived need for the mall to be expanded. However, these positive findings are tempered by the fact that the mall did lead to a decline in the number of local traders in the area as well as a decline in consumer support for local traders.

It remains to be seen whether the other five case studies will reveal similar findings and whether differences will emerge between the large metropolitan centres and the more rurally located centres.

The full research findings will be released in June 2010.