

SHOPPING CENTRE DEVELOPMENT STRATEGIES  
FOR EMERGING MARKETS IN KWAZULU-NATAL

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SHOPPING CENTRE DEVELOPMENT STRATEGIES  
FOR EMERGING MARKETS IN KWAZULU-NATAL

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## SHOPPING CENTRE DEVELOPMENT STRATEGIES FOR EMERGING MARKETS IN KWAZULU-NATAL

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**Degree:** DOCTOR OF LITERATURE AND PHILOSOPHY  
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**SUMMARY**

The first fully enclosed, airconditioned shopping mall in a black township in South Africa opened in 1979 in Umlazi, outside Durban. The provincial development corporation (Ithala) spearheaded emerging market shopping centre development in KwaZulu-Natal to the extent that, with the involvement of the private sector, substantial knowledge and experience have been gained in shopping centre development in emerging markets over the past two decades.

The study focuses on black shopping patterns and household income and expenditure in townships and rural areas in KwaZulu-Natal. The assessments include:

- empirical trade areas;
- geodemographics and geographic information systems (GIS);
- buying power modelling;
- market share estimates;
- retail hierarchies;
- viability and feasibility studies;
- centre design (including taxi rank developments);
- informal trading; and
- tenant mix; location; financing and research strategies.

The study formulates a universal buying power model for KwaZulu-Natal that transcends ethnic and geographic classifications, to enhance, with the aid of computer technology and census information, the accuracy and cost effectiveness of viability and feasibility studies in shopping centre development. An Integrated Commercial Assessment Model (ICAM) is formulated whereby demographic data of a trade area and financial feasibility parameters are integrated to assess the viability of a shopping centre.

The study concludes that although there are many unique features associated with shopping centres in emerging market locations, the fundamental principles that apply all over the world in shopping centre development, also apply to emerging markets in KwaZulu-Natal. Relatively low disposable incomes limit the sustainable size of the emerging market shopping centre. Shopping centre locations are linked to the interdependence on public transportation by emerging market patrons. Factors conducive for shopping centre development, such as high private vehicle ownership, high disposable income, willing retailers, effective town planning and state assistance, have not yet reached levels that would benefit the widespread development of shopping centres in townships. Emerging market shopping centre developments in the central business districts of rural towns, however, have been generally very successful and are setting the benchmarks in South Africa.

**Key terms:**

Shopping centre; emerging markets; income and expenditure; trade areas; tenant mix; buying power; feasibility; retail hierarchies; informal trading; geodemographics.

## WINKELSENTRUM ONTWIKKELINGSTRATEGIEË VIR OPKOMENDE MARKTE IN KWAZULU-NATAL

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Onderwerp: GEOGRAFIE

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## SAMEVATTING

Die opening van die eerste ingeslote winkelsentrum met sentrale lugreëling in 'n swart woonbuurt in Suid-Afrika, het in 1979 in Umlazi (buite Durban) plaasgevind. Die provinsiale ontwikkelingskorporasie (Ithala) het aan die spits van winkelsentrum ontwikkeling in opkomende markte in KwaZulu-Natal gestaan. Die toetrede van die privaatsektor tot die mark het verder ook substansieel bygedra tot kennis en ondervinding in winkelsentrumontwikkeling oor twee dekades in opkomende markte.

Hierdie studie fokus op swart kooppatrone en huisgesin inkomste and uitgawes in swart woonbuurtes en landelike gebiede in KwaZulu-Natal. Die ondersoek sluit die volgende in:

- empiriese handelsgebiede;
- geodemografie en geografiese inligtingstelsels (GIS);
- koopkrag modellering;
- markaandeel skatting;
- kleinhandel hierargië;
- lewensvatbaarheid en uitvoerbaarheid studies;
- sentrum ontwerp (ingesluit taxi staanplek ontwikkelings);
- informele handel; en
- huurdersamestelling, ligging, finansiering en navorsingsstrategië.

Die studie formuleer 'n universele koopkrag model vir KwaZulu-Natal wat etniese en geografiese klassifikasies oorskry en met die hulp van 'n rekenaar en sensus inligting, die akkuraatheid en koste effektiwiteit van lewensvatbaarheid en uitvoerbaarheid studies in winkelsentrum ontwikkeling, moontlik maak. 'n Geïntegreerde kommersiële evalueringsmodel (GKEM) is geformuleer waarmee demografiese data van 'n handelsgebied en finansiële data geïntegreer word om die lewensvatbaarheid van 'n winkelsentrum te evalueer.

Die studie kom tot die gevolgtrekking dat, ongeag die baie unieke eienskappe van winkelsentrums in opkomende markte, die fundamentele reëls wat reg oor die wêreld met winkelsentrumontwikkeling toegepas word, ook vir die opkomende markte van KwaZulu-Natal geld. Relatief lae besteebare inkomstes beperk die drakrag grootte van winkelsentrums in opkomende markte. Winkelsentrumliggings word verbind met die interafhanklikheid van publieke vervoer van dié marksegment. Faktore gunstig vir winkelsentrumontwikkeling soos hoë privaat motorbesit, hoë besteebare inkomste, gewillige kleinhandelaars, effektiewe stadsbeplanning en staatsondersteuning het nog nie vlakke bereik wat die grootskaalse ontwikkeling van winkelsentrums in swart woonbuurtes bevoordeel nie. Winkelsentrumontwikkeling in die sentrale sakegebiede van landelike dorpe is wel, in die algemeen, suksesvol en stel tans die standaard vir winkelsentrumontwikkeling vir opkomende markte in Suid Africa.

Sleuteltermes:

Winkelsentrum; opkomende markte; inkomste en uitgawes; handelsgebiede; huurdersamestelling; koopkrag; uitvoerbaarheidstudies; kleinhandel hierargië, informele handel; geodemografie.

## CHAPTER 1

### INTRODUCTION

Emerging markets is the post modern appellation for those countries which are called "Third World", "underdeveloped" and "developing". They stand in stark contrast to those described as "First World", "developed" and "advanced" and carry with them legacies such as high population growth, illiteracy, civil conflict, unstable economies, high unemployment, poor health care and many more practices that illuminate an ostensibly unbridgeable gap between "haves" and "have-nots", lifestyles and shopping behaviour.

It is not surprising that retail geographers Findlay, Paddison and Dawson (1990:3) make the observation:

“To the analyst more familiar with retailing in the economically advanced nations, the first encounter with retailing in less-developed countries is something of an academic shock.”

and

“...the institutional structure and its spatial patterning, as two immediately observable features, appear to offer more contrasts than similarities”.

The spatial contrast in the emerging market retail system is perhaps nowhere more prevalent than in South Africa where North American styled developed areas, inhabited mainly by whites, and dormitory and shanty towns, inhabited mainly by blacks, exist a few kilometres apart. Political change in 1994 in South Africa saw the end of the *apartheid* system and the emergence of a democratic dispensation which has brought with it a new development focus known as the Reconstruction and Development Programme (RDP), whereby more attention has been focussed on the development of these underdeveloped and disadvantages areas.

It is of paramount importance that empirical knowledge be gathered on shopping centre development for emerging markets with the aim of making a significant contribution to town planning and economic development. It is pointless to "experiment" with shopping centre development by trial and error when there is evidence on the performance of shopping centres in emerging markets and when an appropriate methodology can be formulated.

It is the aim of this study to lift the "veil of secrecy" over black shopping behaviour in KwaZulu-Natal and to set parameters for the development of financially viable shopping centres for disadvantaged areas and to develop a fundamental theory which could assist in setting guidelines for spatial planners.

## 1.1 Definitions and point of departure

### 1.1.1 Shopping centre

For the purposes of this study a clear distinction must be drawn between what is defined as the retail distribution system and what is understood by a modern shopping centre.

The retail distribution system is defined as those commercial activities which, through a process of buying and selling, sell most of their goods (more than 50 percent) directly to the general public. This definition is therefore directly related to all retailers irrespective of location or physical structure. By implication the definition excludes enterprises such as wholesalers who supply only shop owners, and it also excludes manufacturing and service industries.

The modern shopping centre as defined by the Urban Land Institute (1977:2) is:

“A group of architecturally unified commercial establishments built on a site which is planned, developed, owned and managed as an operating unit related in its location, size and type of shops to the trade area that the unit serves”

It refers to a very specific spatial phenomenon or artefact. It could incorporate commercial enterprises other than pure retailing. However, by its very nature, retailers dominate the make-up of the modern shopping centre.

The definition of the modern shopping centre refers to a number of enterprises managed as an operating unit. Freestanding shops, even a high street compilation of such shops, are not consistent with the definition and would therefore fall outside the main focus of this study. However, as freestanding shops are an important component of the retail system and possibly in many cases the pioneering structures in the emerging markets, some reference and inclusion in this study will be warranted

### 1.1.2 Development strategy

Development in the context of this study is defined as the art, process or result of producing and making available a compilation of usable premises (shopping centre) for the purpose of trading. Development also implies a growth process aimed at enhancing new possibilities, thus it is an evolutionary process driven by entrepreneurial creativity.

Strategy is defined as “a clever plan or method” and “the art of employing plans towards achieving a goal” (Penguin Books, 1985). Strategy in essence is thus a creative process whereby method(s) is/are conceived and formulated to achieve a goal. Strategic planning is often formalized and structured in the business world around the terms goal, objective and strategy. Goal is the “end towards which effort is directed” (Penguin Books, 1985) and objective the effort employed to attain or achieve the goal. Thus, goal setting defines what is to be achieved, objectives are the actions to be taken (do’s and don’ts) and strategy the method by which actions are directed. Strategy and methodology are thus closely linked and constitute one of the main goals of this study, namely to expand on shopping centre development methodology as a means of assisting developers (entrepreneurs).

### 1.1.3 Emerging market

The Penguin English Dictionary (1985) defines emergence as, inter alia, “to rise from an obscure or inferior condition”. Market is defined as “a meeting together of people for the purpose of trade, by private purchase and sale” and also “(a geographical area or section of the community in which there is) demand for commodities”.

From an international perspective the whole of South Africa, inclusive of KwaZulu-Natal, is viewed as an emerging market. Applied to this study, however, the term emerging markets refer to sections of the South African community (African, Coloured, Indian) that have previously been disadvantaged by apartheid policies. These communities have been “obscured” and degraded to an “inferior condition” and has only recently (since 1994 in particular) “risen” to participate in a democratic dispensation, ensuring freedom of association and commercial activity.

The point of departure is thus to study the development of the modern shopping centre, as defined above, related specifically to the emerging markets of KwaZulu-Natal, but more in particular the predominantly black (African) areas. The white South African shopping centre market is not the focus of this study, but for the purposes of comparison needs a degree of incorporation. By definition, the shopping centre phenomenon is being studied, hence the existing fundamental knowledge on shopping centre development is applicable, and herewith applied to a particular market segment (African).

From a broad geographical perspective, shopping centre development in urban (township) and non-urban (rural) market areas is analysed. There is also, from a micro perspective, an inseparable link between geography and feasibility studies:

“a prospective market has two distinct dimensions - one geographic and the other a measure of demand. The geographic extent of a market is a critical assumption in the site evaluation process” (White & Gray, 1996 : 129)

## 1.2 Problem statement

The general body of academic knowledge on emerging markets is in its infancy. Yet its inherent potential is perceived from a development and market perspective. A lack of physical infrastructure creates opportunities for international expertise in, for example, the engineering, consultancy and technical fields as well as possibilities for international companies in the construction industry. The emerging market consumer will also demand a greater variety of products and, if served by the industrialized countries in North America, Europe and the Far East, will enhance the export opportunities and thus financial well-being of these countries (Paliwoda, 1994).

The modern shopping centre could have an important function in getting products and services to the marketplace in an economical way. Furthermore, it could have a very significant socio-economic impact in these new emerging markets by creating business, employment and production opportunities for local, national and international enterprises in the retail market. It is therefore of paramount importance to first and foremost determine the financial viability of shopping centre development in emerging markets.

The town planning method applied in the past in South Africa of determining justifiable retail area based on population numbers and ethnic composition needs to be reviewed. It could be seen as a discriminatory practice and legacy of the apartheid political system. Over and above the political agenda, its scientific base should be seriously questioned in the new democratic South Africa, which allows for the free movement and settlement of people. An alternative methodology is urgently needed to assist town planning authorities, developers and traders in determining market consumption potential in an unbiased, scientific manner.

Whilst questions are being asked about whether the South African retail market has reached saturation, particularly in affluent markets, the assumption is also made that there are untapped opportunities in some of the South African emerging markets.

“ The question is what amounts and what forms of retailing should be developed in the rural areas and in the townships of the metropolitan areas” (Prinsloo, 1999)

The need to be pragmatic in formulating development strategies is driven by an equal need to reduce the complexities of the South African society into manageable and cost effective scientific planning models accessible to developers, researchers, planners, financiers and traders dealing with shopping centre development.

Developers and researchers often approach the subject of shopping centre development from different perspectives. The research output is often of limited impact as the critical link between demographic analysis and financial viability is not made. Researchers are usually excluded from the physical establishment, rental structures, tenant mix, design, cost of construction, return on investment, funding and future management of the proposed new shopping centre project. Linking demographic assessment and financial viability is a critical output of this study.

It is no secret that the history of shopping centre development in South Africa was shaped predominantly by whites who had established the bulk of the South African shopping centre industry in white suburbs and towns created through social engineering. The so-called “black market” (ethnic blacks) is a mystery to many developers and investors who have the experience and basic knowledge of developing a shopping centre, but have for many years been prohibited by apartheid laws from entering black townships and have developed an apathetic and distorted view of their black fellow citizens. The black shoppers and traders need to be “de-mystified” for those developers unfamiliar with the black market in South Africa, conversely, the theoretical and practical body of shopping centre development knowledge associated with the “white market” needs to be incorporated into a general body of knowledge familiar to the industry and applicable to all segments of South African society.

The problem statement in summary, entails:

- Formulating an accurate method to determine retail purchase power (chapter 8);

- Assessing the socio-economic impact of shopping centre development in emerging markets (chapters 3, 4, 5, 10);
- Identifying the financial viability parameters and value drivers (most important factors) in the development process (chapters 2, 8, 9);
- Understanding the implications of changes in the new South African dispensation for town planning and retail development (chapters 3, 9,10);
- Formulating an unbiased, non-ethnic, scientific basis for assessing shopping centre development potential (chapters 8, 9);
- Identifying retail development opportunities in emerging markets (chapters 3, 8, 10);
- Simplifying the complexities of shopping centre development with models (chapters 3, 8, 9);
- Merging demographic research and shopping centre financial viability parameters (chapter 9);
- Learning from the history of shopping centre development locally (KwaZulu-Natal) and internationally and in particular from the experience of developers and researchers active in emerging markets (chapters 2, 3, 4, 5, 7, 10);
- Evaluating the applicability of existing knowledge and theory on shopping centre development for emerging markets (chapters 2, 3, 7, 8, 9).

### 1.3 Aims

The ultimate goal of this study is to:

- Set new benchmarks for the methodology of assessing shopping centre viability;
- Provide an empirical research framework, devoid of ethnic undertones, for the South African market;
- Assist developers and retailers wishing to participate or expand in emerging markets.

#### 1.4 Motivation for selecting KwaZulu-Natal as the study area

KwaZulu-Natal has been selected for this study for reasons related to demographics, geographical factors and retail developments. Firstly, KwaZulu-Natal has the highest population figures (black emerging market) of all provinces in South Africa and 56.9 percent of the KwaZulu-Natal population reside in non-urban locations - thus a balance between rural and urban could be obtained (table 1.1: population statistics).

Table 1.1 Population of South Africa by province, 1996

Province	Urban	%	Non-Urban	%	Total	% (Down)
KwaZulu-Natal	3 628 268	43.1	4 788 753	56.9	8 417 021	20.7
Gauteng	7 130 277	97.0	218 146	3.0	7 348 423	18.1
Eastern Cape	2 304 378	36.6	3 998 148	63.4	6 302 525	15.5
Northern Province	541 301	11.0	4 388 067	89.0	4 929 368	12.1
Western Cape	3 516 007	88.9	440 867	11.1	3 956 875	9.7
North West	1 171 734	34.9	2 183 091	65.1	3 354 825	8.3
Mpumalanga	1 094 287	39.1	1 706 425	60.9	2 800 711	6.9
Free State	1 806 651	68.6	826 853	31.4	2 633 504	6.5
Northern Cape	588 906	70.1	251 415	29.9	840 321	2.1
Total (Average %)	21 781 807	53.7	18 801 765	46.3	40 583 573	100

Source: Statistics South Africa, Census in Brief, 1998

Secondly, the province is geographically fairly isolated with a large coastline, and three international boundaries as highlighted in figure 1.1, thus confining shopping spatial patterns to within the boundaries of the province and thus limiting distortion of statistics employed to model consumer buying power and shopping behaviour.

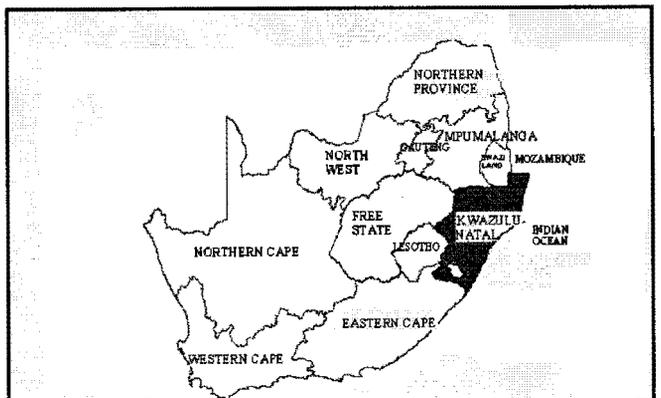


Figure 1.1: Provinces of South Africa

Thirdly, KwaZulu-Natal has the third highest incidence of retail sales (table 1.2) and hence retail developments, after Gauteng and Western Cape, and through the activities of the provincial development corporation - Ithala Development Finance Corporation Limited - has established numerous shopping centre developments in townships and rural areas throughout the province, thus providing a substantial “database” or samples for study that have been in existence for more than two decades in KwaZulu-Natal’s emerging markets.

Table 1.2 also indicate the relative level of poverty in KwaZulu-Natal when retail sales are expressed as a per capita ratio and compared to that of Gauteng and Western Cape. KwaZulu-Natal is thus also considered a suitable low income emerging market study area.

Table 1.2 : Retail sales per province in South Africa, 1996

Province	Retail sales (R million)	%	Retail sales per capita
Gauteng	47 587.8	35.89	R6 475-90
Western Cape	23 965.0	18.07	R6 056-50
KwaZulu-Natal	22 585.4	17.03	R2 683.30
Eastern Cape	10 653.9	8.03	R1 690.40
Free State	6 933.2	5.23	R2 632.60
Mpumalanga	6 577.0	4.96	R2 348.30
North West	6 423.6	4.84	R1 914.70
Northern Province	4 556.8	3.44	R 924.40
Northern Cape	3 330.6	2.51	R3 963.40
Total	132 613.3	100	Avg=R3 267.60

Source: StatsSA, 1998

## 1.5 Overview of the study

The study is divided into two parts. Part one consists of chapters 1 to 5 dealing with the theory, methodology and universal experience of shopping centre development, in particular with the aim to design a development strategy. Part two of the report (chapters

6 to 10) deals with the research, assessment, findings and formulation of development strategies and an integrated commercial assessment model (ICAM).

#### Part I

Chapter 1 focus on definitions, problem statement and aim of the study;

Chapter 2 deals with the development process and research methodology which is fundamental to all shopping centre development strategies;

Chapter 3 discusses the retail system, central places in KwaZulu-Natal, shopping centre development types and policies;

Chapter 4 discusses experiences in emerging markets in other parts of the world; and

Chapter 5 highlights the history of shopping centre development in KwaZulu-Natal and, in particular, draws attention to a number of case studies associated with townships.

#### Part II

Chapter 6 gives an overview of the study area, the research project and methodology used in this study;

Chapter 7 gives the main findings of a number of surveys;

Chapter 8 deals with the critical issue of income and expenditure;

Chapter 9 formulates a model that integrates demographics and financial viability parameters in shopping centre development; and

Chapter 10 concludes the report with the formulation of key strategies critical to the success of developing shopping centres in emerging markets.

## CHAPTER 2

### THE SHOPPING CENTRE DEVELOPMENT PROCESS AND SPATIAL ANALYSIS

A sound knowledge of the shopping centre development process and spatial analysis is essential and central to the ability to formulate development strategies. This knowledge is universal and applicable to shopping centre development all over the world.

#### 2.1 Historic overview

Dawson's (1983) account of the emergence of the shopping centre as a development artefact dates back to the eighteenth and nineteenth century in Europe and North America but the modern shopping centre's greatest impact and growth has occurred after World War II (1945). It is now considered an international feature and an integral part of the modern urban landscape.

The concept of a shopping centre and the key role players (planners, architects, developers, retailers and consumers) to make it happen were already in existence in the USA before 1940 (Dawson, 1983:7). The catalysts for rapid expansion in the development of shopping centres were urban growth and economic growth. Historically the USA has been regarded as the forerunner in shopping centre development in the world. Developments in Eastern Europe, Asia, Africa and Latin America have only gained momentum since 1970 and increasingly so (White & Gray, 1996). This is certainly true for South Africa where the first **suburban regional** shopping centre opened only in 1972 in Parow, Cape Town (South African Council of Shopping Centres, 1999).

An assessment of the development history of shopping centres indicates some common denominators generic to the existence of such an industry. The first is economic growth and consumers with substantial disposable income. The second is innovations in personal

mobility and road network infrastructure to accommodate an increasingly mobile community. The third is the involvement of property developers, investors and financiers willing and able to undertake the risk in such ventures. The fourth is that of traders willing to trade from such developments, pay the desired rentals and realise an acceptable profit.

The shopping centre is first and foremost a financial venture and a place where interaction between traders and the general public takes place. As consumers' personal wealth increases so do their buying habits and preferences increase in diversity, which in turn leads to a greater variety of shopping centre types.

A further significant concurrence of the spatial development history of shopping centres is the involvement and impact of government policies on the development process. Many American centres have followed, through limited government interference, the wealthier suburbs as the preferred location, conversely, however in Britain, a policy of strong planning interference has occurred, mainly with the involvement of government as developer, to create a socially acceptable distribution of and access to shopping centres, in particular providing for the lower income suburbs (Dawson & Lord, 1985).

## 2.2 The development process

The development process commences with the initiation of a project and ends on the opening date or date of commencement of trade. The time it takes to complete the process is seldom less than two years and in many cases substantially more than two years.

Figure 2.1 illustrates the basic steps in the development process. Each stage requires critical analysis and expands in complexity as progress is made. The developer has a pivotal function and leads the process by making strategic decisions and guiding the other professional role players in the process. The developer has the power to withdraw from the project up to the construction phase. A decision to abandon the project during construction would invariably result in major financial losses and legal actions. The

diagram also illustrates feedback links, depending on the outcome of decisions at various critical stages, and a number of “stop/start” and delay situations are also possible.

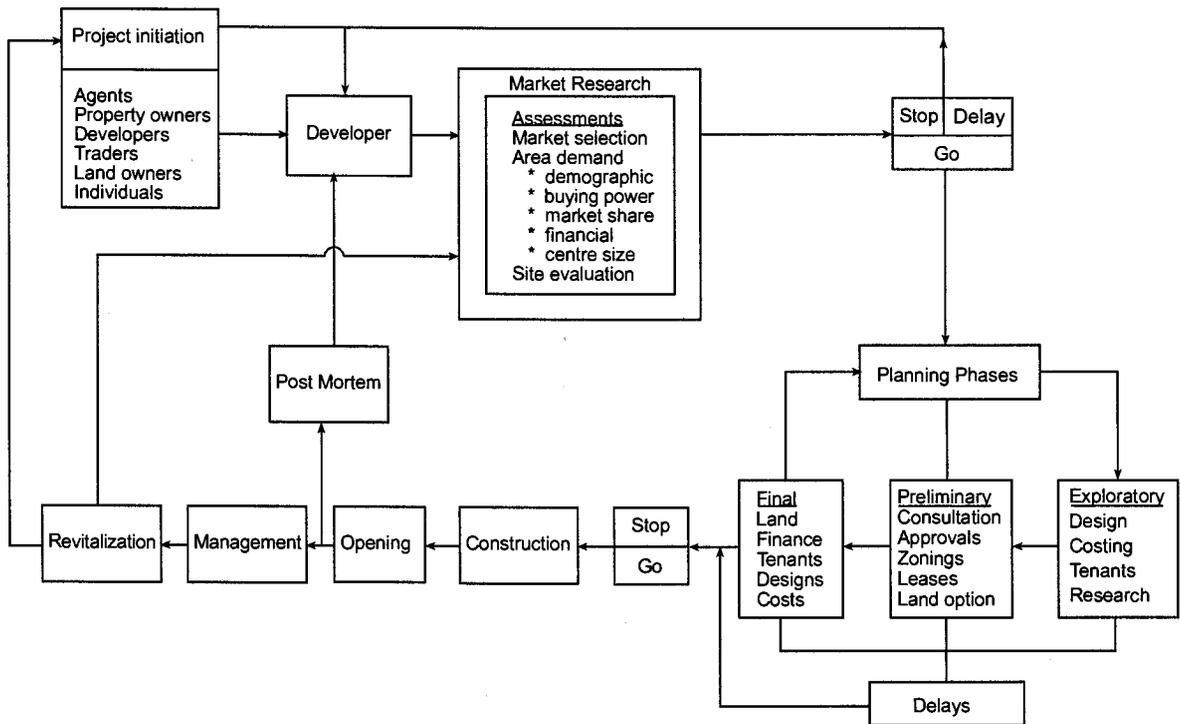


Figure 2.1: The shopping centre development process

The planning phases (exploratory, preliminary and final) usually follows through from the exploratory stage to the final stage in regular sequence, however, exceptions may occur such as a pre-zoned site which negates the need for zoning approval, or the developer may have sufficient funds and therefore does not require funding. Furthermore, the location potential may also be considered as “obvious” and demand (i.e. tenant) driven, thus negating the need for extensive market research. Due to the complexity of this stage, various delays may be encountered, thus impacting on the entire planning process.

Only after a centre has opened for trading can the quality of the planning process be assessed, hence the inclusion of the “post mortem” aspect as per the diagram. Most discussions on the shopping centre development process ends with the construction phase. However, it should be noted that at some point in the future the developer could be reintroduced to the scheme to execute a revitalization strategy - initiating a new

project. The centre will be guided through its financial and operational life-cycle by the centre management team, who are pivotal to the ongoing success and/or failure of the centre. In terms of the foregoing therefore, the following section highlights the development stages in more detail.

### 2.2.1 Project initiation and market research

The development of a centre can be initiated by various persons with an interest ranging from land owner, to estate agent, architect, developer, town council, trader and any other profession normally associated with the property development and investment market. Regardless of who initiates the project, it invariably ends up in the hands of a developer who has to oversee the establishment of the project in all its facets and complexities. To this end, it is important to note that a developer is essentially an entrepreneur, and no formal qualifications (academic) are required as such. There are two kinds of entrepreneurs in shopping centre development; namely those that lead through breaking away from the “traditional” way of developing centres and those that follow by studying trends and successful concepts and applying them to niche markets, either along existing methods and/or adding improvements.

Initiation of a new project will always be driven by a perceived demand and is usually location driven. Ghosh and McLafferty (1987:34) distinguish three levels of spatial analysis relevant to site selection which they define as market selection, area analysis and site evaluation. The process in essence follows through from a macro to micro assessment. The reverse, however, is also true, as initiation could start with site identification (i.e. location driven). The three levels of market research as depicted in figure 2.1 are thus interrelated and are cross-referenced at each level of analysis with specific adjustments pertaining to the objectives of each analysis.

### 2.2.2 Market selection (macro level)

Determining where to look for shopping centre development potential commences with a screening of the market place. From a macro perspective, the following main factors need to be considered:

- Demography (population numbers, ethnicity, employment, growth, migration)
- Economy (economic base, purchasing power, level of retail provision or competition, investment stability, retail sales, business acumen)
- Political (capability, stability, leadership)

In terms of the macro approach, therefore, it is crucial to contextualize the prospective market (as per the above factors), even if the meso and micro market is well known to the analyst. The approach, however, is not to gather infinite detail, but rather to obtain an overview. The demographic, economic and political assessments at this stage contain looking at broad trends and have to be comparative in nature: For example; whilst KwaZulu-Natal is the most populous province in South Africa, it is also one of the poorest and disease-prone (cholera, malaria, HIV/Aids), which could affect population growth projections. It also has a large rural population contingent, which could impact on migration (urbanization) patterns. Furthermore, whilst its moderate climate, good soils and access to two of the largest harbours in South Africa creates a favourable platform for agriculture, manufacturing, trade (import and export) and tourism industries, its political divisions (i.e. party political and tribal), however, has a stranglehold on proactive leadership, stability and capability to implement economic growth (Financial Mail, 14 September 2001 : 106 - 107).

A closer geographical perspective of KwaZulu-Natal, also reveals distinct differences between prospects on the coastal belt and inland, and between north and south. These aspects will be discussed in more detail in chapter 10. Market selection analysis, from a retail provision point of view, would thus focus on the demographic and economic characteristics of the market place - impacting on demand assessment (quantity and quality traders).

The market selection process also deals with the issue of market saturation or, alternatively, market penetration probability. Market saturation refers to the current level of retail services in relation to the buying power. It is therefore critical to assess existing retail provision in the market-place in order to determine an index for saturation and retail performance. Market expansion or contraction possibilities must also be taken into account in a futuristic forecast related to population growth, economic development, infrastructure changes, political stability and any other factors that may influence the financial performance of the investment in the medium to long term. With respect to competition and retail provision, personal site visits are usually conducted, alternatively, the telephone directory is a useful source of information (Benjamin, 1996 : 18) (see application chapter 3 - classification of central places in KwaZulu-Natal).

The advent of the computer and the availability of census-derived information in electronic format for enumerator areas, or small market areas, have made it possible to analyse the potential of trade areas by means of geographic information system (GIS) software. Population numbers (through 1996 census data) are now readily available throughout South Africa as well as many other demographic data such as age profiles, household income, educational qualifications, employment and dwelling types. This data is of immense value, however, the critical issue of “household expenditure” needs to be added to derive meaningful information for the shopping centre developer (chapter 8 will deal with this issue in detail).

### 2.2.3 Area demand analysis (meso level)

The area demand analysis follows market selection and focuses on a specific market area. Once a positive potential opportunity has been assessed, by means of the market selection analysis, a more detailed analysis is required. This would include an accurate trade area demarcation and analysis of market potential and competition, as well as the retail structure serving the identified market area (Dawson, 1983: 39; Ghosh & McLafferty, 1988:43). Furthermore, White and Gray (1996) identifies four aspects that

need to be assessed, namely:

- economic base (demography including employment, income and expenditure);
- consumer habits and attitudes (direct consumer research);
- competition; (competitive alignment - existing and planned alternatives); and
- trade areas (definition and evaluation).

Alternatively, the methodology could incorporate all of the above assessments under “trade area analysis”. It should also be noted that neither the macro or meso level of analysis can be totally divorced or studied in isolation. In this respect, trade area analysis will also, invariably, consider macro, meso and micro assessments, as highlighted by White and Gray (1996 : 106)

“Trade area analysis ties together the macro analysis of the economic base, micro analysis of consumer preferences, and the market analysis of the competition in the selection of the retail location that optimizes developer, retailer or investor profit”.

Should the results of the investigation prove positive it would naturally lead to the formulation of a development concept, which would include tenant mix, as well as guidance on the site specific location and the most desirable size for the development.

It is crucial at this stage of the initiation phase to gain as much detailed information about the market area. Furthermore, where an existing retail node happens to be part of the location strategy, the importance of determining an accurate trade area by means of a shopper survey must preferably be undertaken. Such a survey also gives valuable insight into the spatial shopping behaviour of the catchment population.

Based on the above the geographer has an important role to play in the retail development process. The geographers greatest impact, in the shopping centre industry is therefore, in the field of market research and concept development - initiation and planning phases of the development process. The body of geographical knowledge applicable to the

shopping centre industry unfolds in particular during the process of spatial or trade area analysis. The following section examines trade area analysis in more detail.

#### 2.2.4 Trade area analysis

Field surveys in shopping centre viability studies is concerned with the collection of data, measuring distribution of customers (trade area demarcation), population and the amount of household expenditures (demographic assessment) and the sales potential of a site (market share). *“Collectively this body of research can be labelled trade area analysis and the surveys that are undertaken usually involve interviews of customers either inside or outside a store”* (Davies & Rogers, 1984 : 341). The accurate demarcation of a trade area and the resultant gathering of information related to the specific trade area is crucial in retail feasibility and hence shopping centre analysis (Ghyoot, 1992:41).

Trade area by definition refers to the area linking suppliers and customers. It is that area from which the major number of shoppers are drawn (Greer & Farrell 1984 : 97) and can be applied to an individual retailer or conglomeration of traders such as in a shopping centre. Thus a shopping centres' trade area is also that area served by its tenants or where the majority of business will come from. This principle is also referred to in the general definition of a shopping centre and therefore calls for the analyst, first and foremost, to do an accurate demarcation of the trade area and secondly to do an assessment of its population their buying power and shopping habits. The trade area assessment procedure, as proposed by Dawson (1993) is summarized in figure 2.2

The procedure highlighted in figure 2.2 does not explicitly mention population or demographics, but rather households. Whilst population characteristics (demography) and population numbers in particular are part of a shopping centre development feasibility assessment - useful for analogues and ease of reference (when dealing with retailers, town planners and other interested parties) - it is the household that is the *“base unit for retail consumption”* hence household numbers and their *“income is the single best predictor of retail sales”* (White & Gray, 1996 : 108 - 110). Whilst an assumed

correlation exists between income, employment, education, socio-economic status and retail sales, as mentioned by White and Gray (1996) and most academic literature on the subject, the actual relationship is seldom, if ever, defined in detail - a void in the

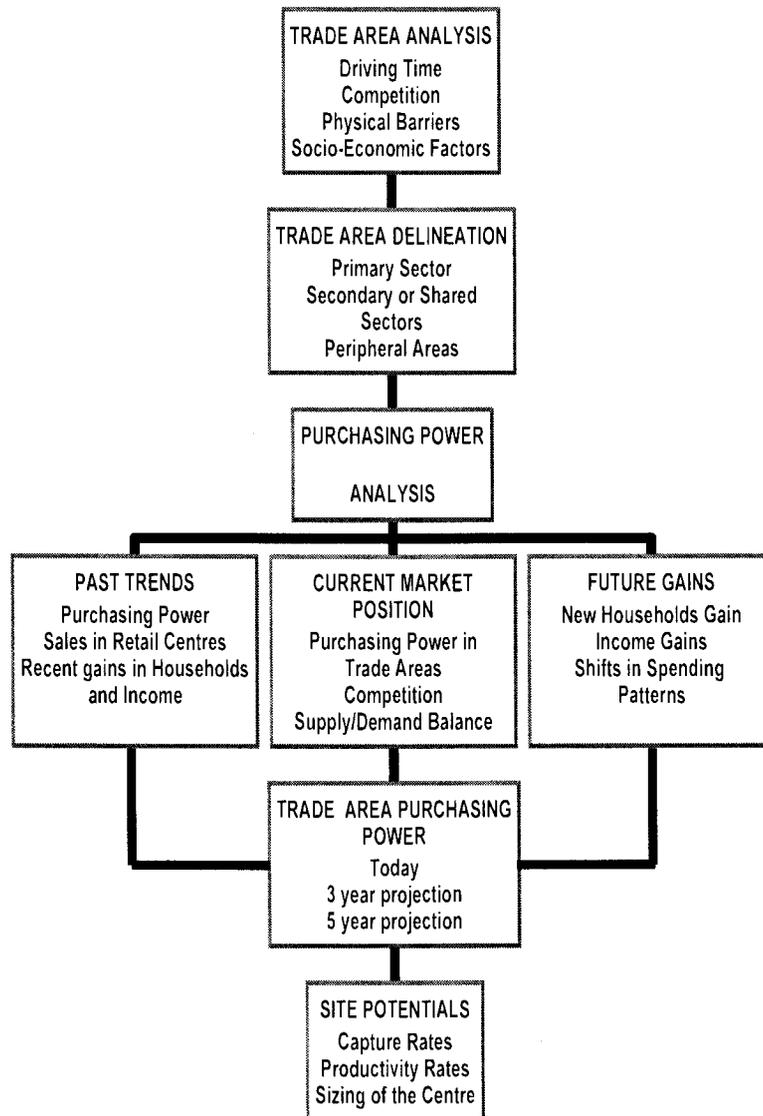


Figure 2.2. Trade area assessment procedure.

Source: Dawson, 1983 : 40

academic approach to trade area analysis. These two variable - household numbers and income - and a potential “universal correlation” with retail expenditure or buying power, was empirically researched for this study (chapter 8).

The purchasing power analysis, as indicated in figure 2.2, considers historic and current trends in order to quantify current and future (projected) purchasing power. Whilst

economic base assessment quantifies demand, consumer research qualifies demand and market share assumptions. It is at the “market share” or “capture rate” stage of trade area analysis, that consumer research and experience (practical or researched) is of immeasurable value. Consideration given to the socio-economic profile (age, employment, income, language, education, ethnicity) is then applied in relation to the geographic advantages that a potential site accrues over that of competitors, to enhance market share assumptions.

The final step in figure 2.2 - before “sizing of the centre” - is assessing productivity rates, which refers to achievable ratios (usually expressed as a square metre rate in shopping centre development) such as trade densities (retail sales per square metre of lettable area per annum) for different tenant types, rentals, land and development costs. Chapter 9 highlights a practical application and a new assessment model, which is defined as an “Integrated Commercial Assessment Model” (ICAM).

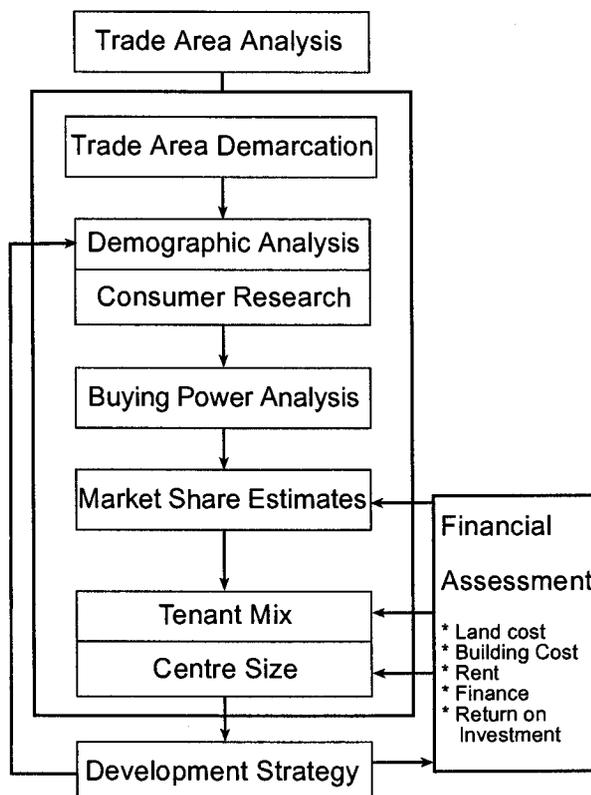


Figure 2.3: Trade area analysis linked to development strategy

The trade area analysis applied with this study (figure 2.3), commences with trade area demarcation, demographic analysis and consumer research in order to determine buying power, market share and retail sales potential and finally balancing the tenant mix and financial requirements against centre size, setting the stage to formulate development strategy. The reliability of the output (centre size) depends firstly on accuracy of trade area demarcation.

### 2.2.5 Empirical methods of trade area demarcation

The place from which the shopping trip originates is utilized to establish the trade area. It may be related to the workplace, holiday or recreational place, be part of a multipurpose shopping or work-related trip, but most commonly from the place of residence. There is empirical evidence to assume that place of residence is the most important indicator of the shopping trip and is therefore the most common determinant to establishing an empirical trade area (Ghyoot, 1992 : 64).

#### 2.2.5.1 Customer spotting

The most accurate method in determining a retail trade area is to establish the residential addresses of actual shoppers at the place of shopping. This method was popularized by Applebaum (Ghosh & McLafferty, 1987: 71), and is known as customer spotting and entails selecting shoppers at a shopping facility in a systematic random sample to determine residential addresses. This information is then plotted on a map in relation to the place where the survey was performed. Figure 2.4 highlights a hypothetical representation of the outcome of such a survey. The demarcation and properties of a retail trade area are thus also highlighted with reference to this representation.

A trade area is potentially limitless i.e visitors from all over the world could visit the centre, especially if it has strong tourism or business links. However, there is empirical evidence that the majority of visitors originate from the nearby and/or surrounding areas and will diminish in intensity as the distance increases away from the facility. This

principle is known as the “Distance Decay Function”. Thus the demarcation of the trade area does not include all the visitors to the centre, but rather the majority of visitors (75 to 90 percent) reflecting a distinct spatial distribution.

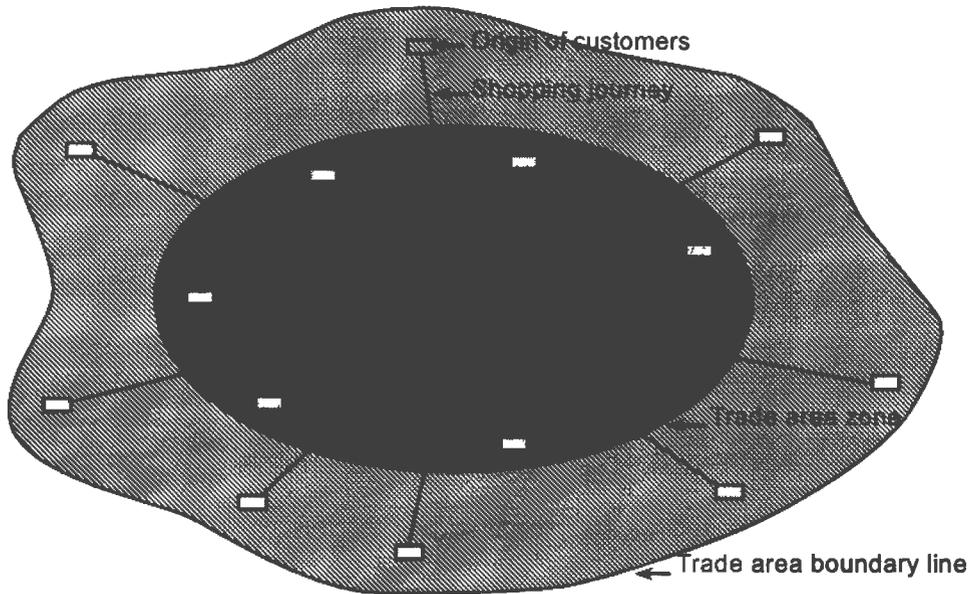


Figure 2.4: Representation of a retail trade area.  
Source: Ghyoot, 1992:65

The distance over which customers are drawn to the centre is defined as the “Range of the Centre” and the intensity as the “Market Penetration”. The variations in intensity can be utilized to demarcate primary, secondary and tertiary trade areas or zones. The primary trade area reflects that area over which the facility has a clear distance advantage over competitors and draws up to 60 percent of visitors, the secondary market is a transition zone shared with nearby competitors and contributes 20 - 30 percent of visitors, whilst the final trade zone is that of the tertiary market which comprises the percentage of visitors shared with other distant markets which thus contributes 10 - 20 percent of visitors.

Applications in practice suggest two preferred methods, namely:

- Single boundary; and
- Multiple zones

The single boundary-method is preferred when an empirical study has been executed, thus Ghyoot (1992) and Warrington (1994) used single boundaries following a number of empirical assessments. Multiple zones are preferred when an undeveloped site (“green field”) has to be assessed and the analyst has to make range assumptions. The method thus assists in structuring the assumptions in a logical order. The latter method is thus favoured as a “before” method and the single boundary-method as an “after” method. Both these methods have been applied by Warrington (1992, 1993) in viability studies for the Kolonnade and Atterbury Value Mart shopping centres in Pretoria in the described “before” and “after” fashion.

The single boundary-method was employed by the researcher as a trade radii with the Ithala shopping centre developments at Tugela Ferry, Manguzi and Eston. In all three cases, the sizing proved to be too big (substantial vacancies occurred - more than 15 percent - size was calculated using a per capita square metre ratio of between 0.03 and 0.13). Prinsloo (2000) utilized the multiple zone-method and trade radii in a study of two “green field” sites for proposed retail shopping centres in Umlazi. The sizing justified centres of approximately 10 000 m<sup>2</sup> (Philani Valley) and 21 000 m<sup>2</sup> (Umlazi Mega City). The centres have not yet been constructed and there is a distinct possibility that the proposed size of these centres may also be too large. The experience of the researcher with the trade radius-method in KwaZulu-Natal has been an incorrect estimation of trade area boundaries. The heuristic and empirical methods have been favoured and rendered better results for the researcher in the cases of developments in Jozini, Mbazwana and Harding, with the former two being fully let and the latter experiencing only one vacancy to date. The trade areas assessed for this study as given in chapter 7 were based on empirical methodology (shopper surveys) and the single boundary method was thus applied.

Other empirical methods include the Suelflow method (Suelflow, 1962 in Davies & Rogers, 1984 : 210) based on traffic surveys and the car registration method for more affluent markets where the majority of visitors have private vehicles. These methods are not considered desirable for low income markets as public transportation is the norm.

## 2.2.6 Theoretical models of trade area demarcation

In addition to the foregoing there are some useful theoretical models to demarcate trade areas, in particular the proximal area demarcation and the break point assessment.

### 2.2.6.1 Proximal method

The proximal method is a technique used to analyse the macro market in terms of a spatial overview. The underlying assumption is that, when faced with the need to utilize a retail outlet of similar standing, the shopper will select the nearest one. This principle is generic in shopping centre studies and refers to the demarcation of a geographic area wherein a shopping centre, shop or retail node has a distance advantage over competitors - "dominant trade area".

The method involves the construction of Thiessen polygons. Figure 2.5 highlights the construction of Thiessen polygons in three basic steps, namely:

- Highlight competitors on a map.
- Join neighbouring facilities with linear lines and establish the midpoints on these lines. Draw perpendicular lines at the midpoint.
- Join the perpendicular bisectors to its adjacent bisector.

The advantages of this method are its simplicity and ease of application through the use of computer software (GIS). It also gives an overview of all facilities over an extensive region (see chapter 7). In essence, the size of the polygons is inversely related to the level

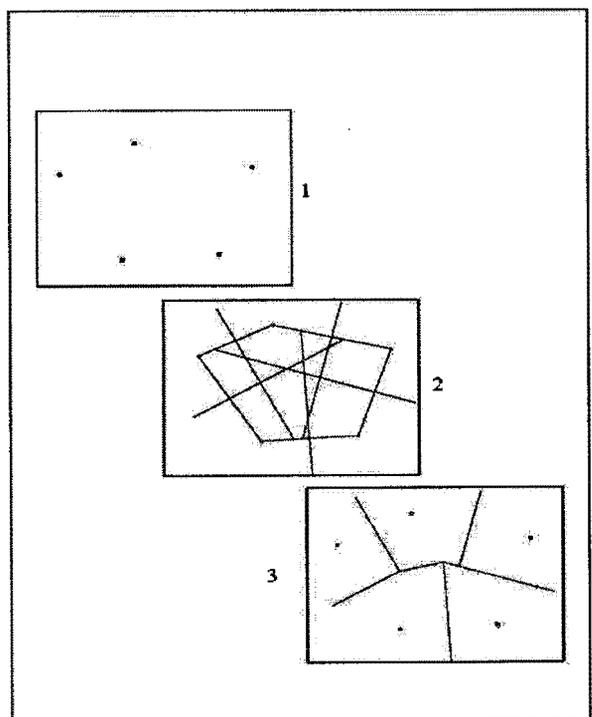


Figure 2.5: Constructing Thiessen polygons

of competition (Ghosh & McLafferty, 1987: 65 -68). This method does not explain the

hierarchical nature of shopping centres nor the principle of overlapping of trade areas. However, it does indicate the distance relationships between competitive centres and gives a high degree of realism when assessing market potential for rural towns. It is thus a good point of departure. More detailed assessments of the trade area would obviously lead to adjustments to the original demarcation as needed. One such adjustment would be related to the different sizes or level of services offered at competitive centres. The break point formula could then be applied.

#### 2.2.6.2 Break Point Formula and Law of Retail Gravitation

People do not always visit the nearest facility. Factors such as low prices, product variety, multipurpose and comparative shopping would cause deviations from the nearest principle hypothesis. The agglomeration of facilities tends to increase the attractiveness of a node, thus a relationship between the size of centre and the trade area range has been observed.

Reilly (1931) formulated the “law” of retail gravitation on the principle of differentiated attraction factors. The “law” states that the attraction of a centre is in direct proportion to the population (size) and inverse to the square of the distance between the competing facilities. Calculating the break point between two competitive cities was popularized by Converse (1947) and is calculated as follows (Foot, 1981:32):

$$D_b = \frac{d_{ab}}{1 + \sqrt{P_a / b}}$$

Where;  $P_a, P_b$  = size of centre a and b

$D_b$  = break point distance from centre a to b

$d_{ab}$  = distance between centre a and b

A further development of the “law of retail gravitation”, is spatial interaction modelling which could be used to calculate overlapping trade areas, but is also considered to be a good sales forecasting techniques.

### 2.2.6.3 Trade radii

The use of mechanically produced distance buffers on geographic information systems (GIS) is another potential theoretical method. The use of trade radii is related to the range principle in spatial analysis (cornerstone in central place theory) and the ease with which an analogue could be made or alternatively to produce data in an easy explainable format for the less informed. This method, however, is the most unreliable, for example;

“Rings are not reality. There are major differences between a trade area that is carefully defined and is responding to real world issues and one produced mechanically. As in the other aspects of demand analysis, it is important to emphasize the need for micro analysis of the trade area, not simply drawing a ring around it” (White & Gray, 1996 : 118 - 119),

and should be avoided in KwaZulu-Natal for reasons related to topography (magnitude of hills and rivers which complicates accessibility) and the geography of socio-economic clustering (ethnic and income groups). The discussion on site evaluation deals with this matter in more detail. Ghyoot (1992 : 86) also submitted that trade radii should not be applied in black residential areas (townships) due the impact of public transport on spatial shopping behaviour. An outright rejection of trade radii is also given by Ghyoot (1992: 212). This view is supported with the additional provision, that if used at all, the reasoning for the application should be clearly stated as well as the unreliability (a customer, for example, may insist to have a concentric trade zone analysis).

### 2.2.7 Heuristic methods of trade area demarcation

Heuristic methods are based on a generic knowledge of trade areas and logic and are useful when doing an initial screening of a trade area. They are also used extensively when undertaking assessments based on the analogue method of forecasting i.e. when a new trade area for a proposed development is compared with the trade area characteristics of an existing similar development. The size of a trade area is thus shaped by the type of

retail facilities, size and variety of services, pricing, location of competitors and characteristics of the trade area populations - generic factors. Taking physical factors such as roads, rivers, general topography, potential movement barriers, psychological barriers and the location of competitors into account, a “logical” demarcation can be made of the trade area range or break point between centres.

This method was, for example, applied during field surveys for the study of some deep rural areas in KwaZulu-Natal. With the assistance of ad hoc interviews and a GPS (global positioning system) instrument, very useful preliminary demarcations could be made. The study by Ghyoot (1992) on demarcation of trade areas supports the value of heuristic methods.

Some generalizations associated with trade areas that will assist when doing heuristic demarcations are:

- the frequency of visits decrease with an increases in distance/range;
- frequency of visits to the central place will be influenced by income and access to transportation;
- the higher the mobility level, the greater the distances travelled and thus the higher the degree of spatial interaction;
- the higher the population density and income, the more facilities can be sustained and thus more facilities are observed. Thus the increase in facility density will decrease the trade area range; and
- trade areas are not static and will change over time in accordance with changes in demographic characteristics and the development of competitive facilities.

#### 2.2.8 Demographic analysis

Literature on the utilization of demographics in market assessments is comprehensive and often incorporates discussion on the value of analysing demographic characteristics such as population numbers, age, gender, employment, household size, race, language, education and income.

A demographic study, however, goes beyond mere analysis to plan a development, it is also an important marketing tool. Planning a regional or super-regional shopping centre in a middle to high income area may, for example, require a number of demographic and viability studies, each addressing different critical hurdles that need to be crossed when dealing with skilled players in town planning, legal, and retail professions. The development of the Kolonnade centre (regional) in Pretoria, for example, required four trade area assessments (inclusive of demographic studies) prior to establishment. Two of these were aimed at attracting national tenant interest, the others were related to town planning (zoning) and on-selling the project to a Pension Fund. This level of intense research has not yet been encountered with emerging market shopping centre development in KwaZulu-Natal. Most studies accompanying these development proposals are of a desk-top nature. This state of affairs are ascribed to:

- low investor confidence and risks associated with emerging markets; and
- high cost of empirical research vs relative small (possible) size of investment.

An alternative approach to marketing a project, whereby extensive research is excluded, is to focus on the point where theory, conceptualization and research meets reality i.e. committing tenants. The developer abstains from submitting detail demographic reports and rather focuses on promoting the location, and/or including “all encompassing demographic statements”. For example, that there is “around 100 000 homes” in Umlazi or “there is no retail facilities in Umlazi whatsoever” (Mark II Projects, 2001), when there are, according to census 1996 approximately 40 000 households in Umlazi, and, as surveyed for this study, approximately 30 000 m<sup>2</sup> of retail space (albeit not concentrated in a few centres) - see Annexure A.

Furthermore, the uncertainty surrounding population numbers in townships is obviously problematic for trade area analysis. The estimates for Soweto, before the 1996 Census, vary between 2 and 5 million, whilst Census 1996 indicated about one million (Prinsloo, November 1999). The lack of information credibility borders on disinformation when low income areas in South Africa are promoted and require the prospective tenant

(nationals in particular) and investors to do or commission their own demographic research - for which they have the financial resources. The developer thus relies on the commitment from national tenants to promote the viability of the project (which is thus seen as tenant driven). However, this is not to say that national tenants are fully acquainted with the demographics or that their viability calculations are correct. They are, after all, making relative short term commitments and have made numerous mistakes in the past (for example Checkers, Standard Bank, BeeGee, Perm, Frasers, First National Bank have all closed their branch outlets in Umlazi, to name but a few).

In addition, the weighting of the demographic features is required in identifying the value drivers for shopping centre development (Pareto principle: 80 percent of results are achieved by 20 percent of effort. The focus should thus be on the most productive 20 percent - Ghyoot, 1992:71). The problem facing the shopping centre development analyst is the diversity of interested parties that could or need to utilize the trade area information, thus comprehensive demographic data is included in viability studies, without any specific link to the contribution being made to sizing the proposed development.

“The trick is in deciding what are the true data needs and therefore what interesting but valueless information should be rejected. A mass of fact should not be confused with their utility.” (Davies & Rogers, 1984 : 181)

To assess the value impact of demographic data, its quantitative and qualitative attributes should be assessed. Quantitative data is preferred in decision making for its unambiguous discretionary power. To calculate the size of a centre, the following demographic data is required:

- number of households in the trade area;
- household income profiles (household income profile in this study is defined as the number of households in the defined income categories); and
- household expenditure (retail expenditure for this study).

It is important to note that none of the other demographic characteristics is required *per se* for the size calculation, but plays a significant part in the market share estimate(s) - a qualitative departure to quantification. The significance of socio-economic classification, age, employment and language is briefly discussed.

### 2.2.8.1 Socio-economic classification

Socio-economic classification is a background tool for general orientation from the macro through to the micro level in order to focus actions. It has bearing on the type of tenants to be selected as well as the type of centre to be constructed.

For example, the traditional classification of socio-economic groups in the United Kingdom (UK) into six groups, is highlighted in table 2.1 hereunder, which provides a basis for such investigations.

Table 2.1: Traditional classification of socio-economic groups in the UK

Classification	Description
A	Upper middle class (higher managerial, administrative or professional), e.g. doctor, lawyer, company director, university professor
B	Middle class (intermediate managerial, administrative or professional), e.g. matron, bank manager, university lecturer
C1	Lower middle class (supervisory or clerical, junior managerial, administrative or professional), e.g. nurse, bank clerk, junior lecturer
C2	Skilled working class (skilled manual workers), e.g. foreman, charge hand
D	Other working class (semi- and unskilled manual workers), e.g. labourer, railway porter
E	Those at lowest level of subsistence, e.g. those covered by Social Security, pensioners, jobless

Source: Davies & Rogers, 1984 : 185

The above classification defines mainly middle and working classes. A high or very high income class is not included. Whilst there is no official classification of socio-economic

groups in South Africa, the ABCDE-analogue is however encountered. Prinsloo (2000) defined these groups in terms of monthly income per employee (table 2.2).

Table 2.2: Socio-economic classification in South Africa, 1996

Classification	Monthly Income	LSM Group
A	more than R14 000	8
B	more than R6 000	7
C	R2 000 - R6 000	6
D	R1 250 - R2 000	5
E	less than R1 250	1 - 4

Source: Urban Studies, 2000

The above classification was based on individual income. An amendment to this classification is proposed and which is based on the fact that the household is the most important consumption unit. The LSM (Living Standard Measurement) classification is also a legacy of the past and has been criticised for being a race-based method at a Parliamentary communications portfolio committee hearing on racism in the media, advertising and marketing industries (Business Day, 7 November 2001 : 10). The need to move away from race-based research methodology has also been expressed as an objective of this study (see chapter one) and hence a more generic approach is favoured namely; household income.

Therefore, the socio-economic classification proposed herewith retains a five-tier classification but expands each tier to include two sub-types per category (table 2.3). It should be noted that a new, detailed, non-racial classification falls outside the scope of this study and requires further investigation. Table 2.3 provides a suggestion as to such.

Table 2.3: Socio-economic classification for South Africa based on 1996 household incomes

Classification	Employment types	Income per month
A+: Very High	Professional-entrepreneurial	more than R30 000
A-	Top management	R16 001 - R30 000
B+: High Income	Senior management, entrepreneurs	R11 001 - R16 000
B-	Upper middle management, entrepreneurial artisans	R8 000 - R11 000
C+: Middle Income	Professional, middle management	R6 000 - R8 000
C-	Administrative, skilled artisans, junior management	R3 501 - R6 000
D+: Low income	Clerical, junior administrative	R2 501 - R3 500
D-	Semi-skilled, factory worker, mine worker	R1501 - R2 500
E+: Very low income	Labourer, unskilled, underemployed	R501 - R1 500
E-	Social pensioner, illiterate, unemployed	less than R500

The emerging market groups in this study are socio-economically classified as D and E income. These income groups require a different approach to retail service provision, related directly to limited disposable income and limited personal mobility which in turn impacts on their spatial shopping behaviour. The middle and higher income groups, on the other hand, residing mainly in urban settings and being very mobile, require an intense and skilled demographic analysis to fully understand and provide for their increasing variety of demands.

#### 2.2.8.2 Age

Much has been made in American studies (White & Gray, 1996, Benjamin, 1996) of the impact of the “baby boom” age cohort (people born shortly after World War II), and the massive commodity consumption appetite of this group, now in their fifties and sixties, on retailing. Retailers in the USA continuously adapted to serve this market cohort. As the cohort nears the end of its life expectancy, indications of oversupply in retail area and fundamental changes in buying habits is envisaged with shifts away from indiscriminate purchases in favour of value shopping and social and ecological responsibility (Benjamin, 1996). The focus is moving to the youth and strategies are being employed

to bridge the generation gap from “baby boom” to “cyber age”. For example, the impact of e-commerce on future retail is just one such activity linked to the youth.

With respect to emerging markets, the age profile is weighted towards the youth (46.37 percent up to 19 years of age in KwaZulu-Natal in 1996)(Statistics South Africa, 1998). The spending power of the youth is estimated at R2 billion per annum in South Africa (Financial Mail, 21 September 2001: 54) and it is believed that the youth is more brand and image conscious and generates more sales through pester power than any other group before them. Of such importance is the youth market, that Gateway, a R1,4 billion 120 000 m<sup>2</sup> shopping centre was developed at Umhalanga Rocks, Durban, focussing on the youth as the future market. The strategy is simple: bring the youth to the centre and the parents will follow - not only to do their normal purchases but also to succumb to pester power.

To reach the youth, marketers are very conscious of their mind set and what’s important to them. They “*respond to humour, irony and the plain and simple truth*” and are “*open minded*” and “*haven’t been corrupted by experience*”, are not “*fighting the system*” but want to be a part of it and considers education as very important (Financial Mail, 21 September 2001: 55 - 56). It is also known that black and white children have the same aspirations in post-apartheid South Africa and issues such as ecological and social responsibility, racism, poverty and Aids are high on the agenda. Furthermore, their “*natural affinity*” to computers and the Internet will impact on their shopping behaviour in the future.

Many of the aspirational issues important for the youth are already discernable at the marketing and shopping centre operational level, for example, ecological responsibility is increasingly being seen in motor vehicle advertising, and social responsibility in terms of adult education is part of a leading supermarket group’s advertising campaign.

Incorporating entertainment and sport activities for the youth is part of the new strategy in regional/super regional shopping centres (Pavillion, Gateway, Menlyn Park,

Kolonnade, Canal Walk), however, unless these entertainment facilities are linked to what's truly important to the youth, its desired impact might be short lived.

With respect to the emerging market of KwaZulu-Natal, the aspirations of the youth is not considered different to that of other provinces or race groups. Education, employment and career aspirations and income will be the driving force impacting on future migration (urbanization) and residential settlements, as the affluent emerging black middle class will continue to relocate from the townships to the former "white suburbs" or new suburbs in closer proximity to the middle income market, thus depriving townships of a substantial increase in disposable income (DRA Development, 1998). Under threat is existing rural (tribal) settlement patterns and the future of townships and hence the buying power and future of potential shopping centre development in these areas.

#### 2.2.8.3 Employment

Employment and income is closely correlated, and thus also considered as one of the indicators determining lifestyle. The increase in employment opportunities through affirmative action and in the public sector for blacks, coloureds and Indians has had a significant impact on the redistribution of wealth in South Africa. There is, however, also the danger that should the provincial authority not remain financially liquid and reduce employment in the public sector, that a decrease in formal employment will affect emerging market areas negatively, more so than affluent markets.

One particular place in KwaZulu-Natal affected by the employment base is Ulundi, legislative capital of the province, which, if the capital status is changed by a political decision in favour of Pietermaritzburg, would drastically reduce formal employment. This uncertainty has limited extensive investment in new shopping centres and has, ironically, contributed to the success achieved at Ondini Plaza, a 17 000 m<sup>2</sup> multi-use shopping centre in Ulundi. The absence of competition and the relative well remunerated and employed population have contributed to high demand for space, good trading densities and good rental levels at the centre.

#### 2.2.8.4 Language

Language indicates the cultural attainment in the trade area. Some traders are well focussed on serving people in their own language - Zulu in townships and rural areas in KwaZulu-Natal. A financial institution such as Ithala Bank achieves the highest market shares in rural areas because of its' focus on the less educated Zulu speaking people (many illiterate) whom prefer to communicate with tellers and bank managers in their own language - the bank's strongest marketing tool.

Language, however, could also be a barrier for retailers wishing to establish in emerging markets but who are not able to bridge the language divide. Communicating with shoppers in their mother tongue is one of the most important requirements of a good marketing strategy. The eleven ethnic languages in South Africa poses a special challenge to national retailers. It contributes to limiting business acumen and the number of traders an emerging market shopping centre developer can canvass. This in itself has an impact on the size of a centre - demand for space may be less than the market potential because of the limited interest and number of skilled traders active in an emerging market.

#### 2.2.9 Buying power (household retail expenditure).

There exists a strong correlation between household income and buying power (White & Gray, 1996 : 129). Each trade area has a different household income profile, thus the buying power would differ according to the incomes generated by the households. However, as this study indicates (chapter 8), it is possible to develop a model, whereby the household income profile is utilized to determine retail buying power in any given geographic area.

#### 2.2.10 Market share

A market share model has to focus on the micro level. "*Small area dynamics, especially*

*competition, can be understood only in the context of local consumer preferences, historic development patterns, store loyalty” (White & Gray, 1996 : 117). Market share, at best, is an assumption that needs to be quantified and qualified.*

The following step-wise conceptual market share model is proposed:

- Step 1: Determine the maximum buying power in the dominant trade area.
- Step 2: Utilize maximum buying power potential, market related rental levels and rent to turnover norms for various categories of retail goods to determine maximum retail area demand (see application chapter 9).
- Step 3: Establish the extend of competition (retail area) in the dominant trade area.
- Step 4: Calculate area demand shortfall / over supply (step 2 results minus step 3 results).
- Step 5: Establish inflow and outflow of buying power, including quantification, in the trade area (consumer research would be required, for example customer spotting).
- Step 6: Do a series of market share assumptions starting with the maximum that could be realistically captured (business diverted from current traders as well as stemming outflow) and ending with absolute minimum market share required to obtain sufficient sales for a proposed project at a certain size. Alternatively, assume a realistic market share and convert the resultant projected sales into lettable area to determine centre size. The fundamental question that has to be asked with every assumption, is: What would be the driving force in the trade area for people to change their shopping behaviour? It could be a more convenient location, or the introduction of a sought after trader(s) or a new aspirational experience or preferably all of the foregoing.

The accuracy of the assumptions made in step 6 of the conceptual market share model would be based on research (analogues) and experience. The most important value drivers to be considered when estimating market shares for a proposed new development,

are:

- Competition;
- Spatial shopping behaviour;
- Location; and
- Financial productivity rates;

#### 2.2.10.1 Competition and the retail distribution system

Market share in essence seeks a quantification of what could be captured or generated by the tenants of the new proposed shopping centre. This requires an assessment of competitors in and around the proposed location and the service they render to the trade area population. A trade area well served, would be considered saturated and possibilities for additional retailers would be limited. The first step is thus to determine if the population is well served.

One method to gather this information is by means of shopper and household surveys and then base the market share estimate on the results of the question(s) on where people shop for different categories of retail goods in relation to their residential address. Another method is to identify the competitors and estimate the sales they achieve based on observations of the quality of their operations (see Davies and Rodgers, 1984 for a comprehensive discussion and methodology) and to project the results against the total buying power available. A further method is to utilize “trade density norms” (turnover/sales per annum expressed over square metre of lettable area) for different retailer types. Trade density levels, however, differ substantially between geographic areas and the norms utilized in high income areas and suburban regional shopping centres cannot be applied to townships or rural areas. Trade density norms for emerging markets are discussed in chapter 9. There is also a significant relationship between achievable rentals and turnovers to measure the success of a shopping centre or trader (Warrington, 1994), thus rental levels (rate per square metre) is also a useful indicator of competitiveness.

Market share assumptions are also related to the hierarchy of shopping centres. Warrington (1994) devised a model based on empirical research (chapter 9) in a middle to high income area, where the general tendency is a normal distribution with each tier capturing an equal share (20 percent per tier in a five-tier hierarchy). Variations from the 20 percent norm are related to a number of success factors associated with individual centres, including size and location. The larger and more successful centres generated shares in excess of 20 percent up to 38 percent. The latter market share methodology relied on an accurate demarcation of each centre's trade area.

The newest dimension to the retail distribution system is that of e-commerce (ordering goods by computer for home based delivery), negating the need for a shopping trip. Thus, a conceptual market share model for shopping centres would also allocate the percentage of sales generated by non-retailers (catalogue, warehouse, e-commerce) and informal traders.

With respect to low income areas, an empirical derived market share model has not yet been formulated but the procedure would not be different to what is described in the conceptual model.

The qualitative approach to market share estimates, from a demographic point of view, is to analyse the age, employment, education, language and gender composition of a market to determine if the different lifestyle segments (population groups of similar characteristics and shopping behaviour) is adequately served.

#### 2.2.10.2 Consumer habits and behaviour

Consumer habits and behaviour is considered as the most important qualitative component for an emerging market, market share assessment. This information is usually gathered by means of consumer surveys where questions focus on where shopping is undertaken, for a variety of retail goods. The reasons for selecting the shops/shopping centre are also sought. Perceptions of existing facilities and demand for additional

facilities are also included. Whilst the major places mentioned have a fair degree of accuracy to explain existing patterns, the minor places are usually not mentioned in detail (spaza, garage shop, corner shop). The unmentioned behaviour must also be taken into consideration. The “bottom-up” approach, starting with the individual (White & Gray, 1996 :112) is the best guide in times of uncertainty. Spatial buying patterns (place of purchase) has a strong habitual component, especially in lower income areas. The reasons are related to:

- low personal mobility and dependence on public transport;
- brand consciousness and loyalty as an aspirational booster; and
- deep-rooted cultural beliefs and limited formal education hampering change.

New shopping patterns develop slowly in an emerging market as it requires changes to the public transportation systems - hence the continued attraction of CBD locations. Being on a taxi route is not as powerful as being at a taxi destination. Experiencing a social outing is another important behavioural factor. “Dressing-up” and turning the shopping trip into an aspirational booster - away from the depressing state of an impoverished environment, is a strong motivator for out-shopping in a low income environment. Thus, the establishment of a shopping centre cannot be purely judged on quantification. The total milieu of the location and the behavioural psychology must be considered.

The physical geography (climatology) and historical context of the market place should also not be overlooked. The experience of Shoprite/Checkers in Egypt to date points to a very different scenario in terms trading times - late night trading - to that of South Africa, which is related to climatic conditions and business activity that evolved over time into a particular lifestyle.

The impact of climate on KwaZulu-Natal’s lifestyle also plays a part in retailing, in particular on clothing styles, according to Professor Michael Kahn, University of Natal. There is limited need for seasonal clothing as the subtropical climate and limited cold weather days does not require many warm clothing items for winter at the coastal belt.

It is not surprising that the national clothing leisure wear retailer, Mr Price, originated in KwaZulu-Natal. The outdoor life-style in KwaZulu-Natal is also described as “laid-back” and a sense of urgency - compared to Gauteng - does not feature strongly. It perhaps also explains why changes in spatial shopping behaviour is perceived as a lengthy process and a new consistent pattern could take years to evolve. Conversely, there exists strong loyalty for current facilities, however, once loyalty is lost, it would be very hard to regain, thus complicating the redevelopment of shopping centres. This has been the experience with shopping centre redevelopment in the townships of Umlazi, KwaMashu and Madadeni.

Interpretation of results given with respect to demand for facilities in a low income area must also be treated with care. A balance must be visualized between needs and affordability. Asking a low income earner in a black township what the demand for retail facilities is, is interesting but mostly irrelevant as the answers would distort reality, for example, when Umlazi residents were asked what clothing shops they preferred (Douglas Parker Associates, 1992), they selected shops such as Woolworth, Edgars and The Hub - neither of these tenants are interested in Umlazi since the socio-economic profile does not fit their target market. The shops are indicated by the respondents in terms of aspirations and not affordability - a major distortion of reality. In summation, therefore, asking a low income family about their needs, would culminate in a very extensive list - logically there could be no other result.

### 2.2.10.3 Location

The importance of a good location is fundamental to the success of a shopping centre. A good location in terms of visibility and accessibility, complimented by good design, a substantial catchment population, good tenants and weak competition usually makes for a success story. Site evaluation is an integrated part of market share estimates and impacts with various degrees on the entire trade area analysis process. Much has been written on location and shopping centre development and the section on site evaluation discusses the issue in more detail.

One further aspect related to market share and location assessment, which also receives comprehensive coverage in literature on the subject, is to base estimates on analogues. Thus the historic performance of centres or stores in similar locations is utilized either intuitively or by means of a linear statistical model such as regression, correlation, factor or discriminant analysis. It is submitted herewith that none of these models have proven to be sufficiently accurate to determine the market share of a shopping centre individually and that the experience of the developer and quality of the research have had the most impact on estimating market share - it is thus at best a subjective process. However, crude analogues of market share is an important component in gaining experience and formulating assumptions. In general, it should be stated that the more research is conducted, the higher the probability of arriving at an accurate market share assumption.

#### 2.2.10.4 Financial productivity rates

Taking the financial parameters into account, in market share estimates, entails qualifying productivity levels, which in essence are threshold levels that qualifies the size of the centre in relation to building cost and market rentals as a function of projected sales for various categories of retail goods.

The impact and application of financial productivity rates are discussed in detail in chapter 9. The factors under consideration are:

- Land costs
- Construction costs
- Professional fees
- Rental rates
- Trade densities
- Operational costs

All of the above factors vary spatially. The general rule is that the lower the socio-economic status of the trade area population, the lower the achievable productivity rates. The lowest land values, rental rates, turnovers and building costs are associated with emerging market locations in KwaZulu-Natal. It comes back to the level of affordability

and the minimum achievable thresholds required to justify the development of a shopping centre. The most important factor, for the shopping centre developer, is achievable rental rates. It has to be factored in with the market share estimate (see method described in chapter 9) - an issue that is seldom addressed in demographic studies when the size of the centre is calculated. A hypothetical assumption on trade densities, similar to what is achievable in higher income areas, cannot be made for low income areas. The principle of analogue is to compare “apples with apples”. Unrealistic assumptions with regard to trade densities and rental levels will result in financial returns substantially below expectations and if the development is incorrectly geared (loan versus equity capital), will result in substantial financial losses for the developer and financiers.

#### 2.2.10.5 Centre size

Centre size is related to centre function. There is empirical evidence that a relationship exists between size, function and trade area range (Warrington, 1994). The two issues of importance to the development process is the overall size of the proposed scheme as well as the size of the individual traders - the backbone of a development strategy.

The overall size of a shopping centre in a suburban setting is functionally related to the hierarchy of shopping centres. The different types of centres and typical sizes are discussed in the next chapter. The development of a shopping centre in a CBD location or part of a shopping district (infill centre) has to take the entire activity of the district and other competitors into account. The total trade area buying power features strongly and the potential for additional retailers has to be assessed. It could be a locational advantage in the district, weak traders (competition) in the district, strong trading in general or an under served market, that holds the key to what size development could be contemplated. The Integrated Commercial Assessment Model (ICAM) formulated and discussed in detail in chapter 9, gives an example how trade area analysis is integrated with the financial assessment to arrive at a justifiable size and tenant mix for a shopping centre in a rural area.

### 2.3 Site evaluation

Site evaluation is the final step in the initiation phase and, should the developer manage to secure a suitable site, the active planning to develop a specific shopping centre would commence. This may prove to be a very difficult stage as the ideal site may not exist and the total process may therefore come to a halt. In practice, securing a site may precede the market selection phase and the research, due to the high cost involved, will only commence after a potential development site has been secured.

Davies and Rogers (1984: 215) highlight three major factors that must be considered in the evaluation process, namely:

- General physical factors;
- Accessibility; and
- Type of location.

The general physical conditions address issues such as size, grading, configuration, topography, soil conditions, infrastructure and visibility. Accessibility measures the ease with which a customer can get to the centre and studies the road patterns, conditions of the road, physical or movement barriers, traffic flow, congestion, ingress/egress and psychological barriers. Psychological barriers are difficult to quantify, but have distinctive links with ethnic and demographic variances.

“The general rule is that those customers living in a heavily ethnic or lower income area will usually travel away from that area to shop. However, a store within this type of area will not attract customers from outside the area”.

(Davies & Rogers, 1984 : 221)

Type of location from a shopping centre development perspective refers to an analysis of the retail system and in particular the type of development most suitable for the location. This assessment requires a sound knowledge of development types and concepts, trends in shopping centre development and the functioning of the shopping

centre hierarchy.

A systematic appraisal of site evaluation by means of a checklist could enhance the accuracy and objectivity of the process (Applebaum, 1965). Ghosh and McLafferty (1987:49) compiled such a typical checklist with headings:

- Local demographics;
- Traffic flow and accessibility;
- Retail structure;
- Site characteristics; and
- Legal and cost factors.

The ideal site is considered to be a flat, vacant piece of land with good visibility and accessibility and in close proximity to a substantial captive market eager to be served and historically inconvenienced by the lack of good shopping facilities. In addition, the cost of land and development must be weighed against the projected sales volume that could possibly be generated at the site.

McGoldrick (1990) compiled a very comprehensive location checklist for retailers with a host of factors including; population, accessibility, competition and costs, most of which is covered under trade area analysis (demographics, competition, costs). Site evaluation in the development process mainly focuses on the physical characteristics of the site in relation to accessibility (ingress/egress), visibility and proximity to target market, qualified in terms of convenience, interceptor potential and distance from competitors. The developer however, when evaluating the site, must consider or visualize how the retailer/prospective tenants - his clients - will, in turn, evaluate the site and the proposed development - thus looking at a site "through the eyes of the client" is an integrated dimension of site evaluation. The developer will have to conceptualize the suitability of the site for manipulation of those physical on-site factors that the tenants will be evaluating, mostly related, over and above the market potential, to visibility, pedestrian/traffic flow and proximity to other tenants (value enhancers and competitors).

Topography in KwaZulu-Natal is probably the single biggest on-site factor complicating centre design. Steep gradients both on the coast and inland complicates visibility and accessibility (from main feeder road/s and for walking) and in most instances contribute to substantial earth works being required (and costs) to “normalize” the site. Some of the excessive costs can be curbed by multi-levels, if the visibility and site configuration allows it.

### **Summary**

This concludes the discussion on project initiation and market research. This stage is the most important for spatial analysis and geographers i.e defining the market potential. It is the foundation upon which a development concept is based and if incorrectly assessed will impact negatively on the physical establishment and financial feasibility of the project. It is in many ways the most important, but not necessarily as complex as planning the execution of the project, to which the attention is briefly turned.

#### **2.4 The planning phases**

The following relative short discussion should not distract from the complexity of the planning phases. It is at this stage that the entrepreneurial flair, commitment, skill and patience of the developer is stretched to the limit ... and beyond (White & Gray, 1990). The short discussion is ascribed to the limited direct contribution required from geographers and/or when geographical input is required, such as a retail study in support of a re-zoning application, or tenants (usually nationals) requesting research.

Input with centre layout/design (architects domain) may be required as it forms part of micro spatial analysis. The principals of a good centre layout, from a spatial perspective, have been discussed by Warrington (1994) and suffice to say that the principles are as applicable to an emerging market shopping centre than one in an affluent suburban location (revolving around manipulation of anchor tenant locations and pedestrian walkways to achieve maximum exposure for all shops within their specific

requirements).

The planning phase involves a multi-disciplinary approach in which the full planning team join efforts to formulate a development proposal and identify all technical issues that need to be resolved. Dawson (1983:41) divides the planning phase into three stages i.e. exploratory stage, preliminary planning stage and final planning stage. It must be stressed, though, that, depending on the financial position of the developer and the land ownership status, the complexity and critical stages during this phase are in fact more complex than described by Dawson.

Planning involves crossing a number of hurdles between initiation and construction (figure 2.1). The following needs to be obtained:

- Development consent and/or site re-zoning from the designated authority(ies);
- Tenant commitment; and
- Financing.

Of the above hurdles, obtaining financial support, is the most difficult in an emerging market location in South Africa, because of the perceived risk. In an open invitation to Sapoa (South African Property Owners Association) members, Brian Kirchmann, writes on 2 October 2001:

“ Since 1990 very little private sector financial investment has taken place in these (black urban township) areas. This is due to the perceived ‘risk’ and lack of ‘primeness’ of investment in these areas.

Many projects such as those contemplated for Jabulani Town Centre, Soweto and for Khayalitsha Town Centre, Cape Town have been on hold since 1995, due to the inability to raise the “bridging” equity or finance.”

Obtaining long term commitment from national tenants at the desired rental rates, is the next major stumbling block, whilst, obtaining development approval, is probably the least difficult (provided a suitable site can be found) due to the need for development and the

positive contribution it would make to employment opportunities. The reverse is true for an affluent market location, with development approval one of the toughest hurdles to cross.

The planning phase commences with the active involvement of the design team (architect, engineers, quantity surveyor and leasing agent). Under the guidance of the developer a design, tenant mix and cost report is prepared which is then incorporated into a financial feasibility assessment where the required or projected return on investment is determined. A critical assumption made at this stage is that of probable achievable rentals for the different kinds of tenants proposed for the centre. In South Africa this stage is usually done at risk (no compensation) to the professional team and could be termed the risk assessment planning stage.

If proven feasible, the next stage is to secure the land, subject to obtaining the correct development rights from the relevant local authority. If the land does not have the required development rights the process of re-zoning must commence. This could be a time-consuming process and would require some financial expenditure to appoint town and regional planners, environmental planners and sometimes traffic engineers in order to launch a re-zoning application. The proposal is published for public comment and could require public meetings if serious concerns or objections are received. This stage may be described as the re-zoning or development consent phase. In areas in KwaZulu-Natal where the land tenure is tribal, the zoning or consent stage could be a very time-consuming and frustrating experience for the novice. It requires a strategy in itself which will be discussed in chapter 10.

The next critical stage during the planning phase, once development approval has been obtained, is the securing of funding and tenants. Depending on the developer's financial position or goal, the issues of funding and tenancing could run concurrently (if the developer is financially secure) or alternatively, tenancing preceding funding. If the major source of funding is required from a financial institution or property investor, then the developer, armed with the concept plan and market research, sets about securing

prospective tenants and in particular the anchor tenant(s) and national and regional traders. This may be termed the marketing and funding stage.

The final stage in the planning phase follows the securing of funds and essentially consists of the design refinement stage. During this phase, the professional team re-works the centre design plan and makes final adjustments to the concept plan, incorporating new tenant requirements and any adjustments the developer requires related to the concept, town planning requirements and possible financial constraints.

## 2.5 The construction phase

The construction phase is a technical team effort controlled by a project manager, architect, engineers and the quantity surveyor. The researcher, town planner and environmentalist are no longer required. The developer remains intensely involved, co-ordinating the tenants' physical requirements and reporting on progress to the tenants with the aim of ensuring full participation on opening day.

## 2.6 The opening phase

The developer's work ends at the opening stage and the final product is handed to the centre management team which has to care for the day-to-day operation of the centre. In many cases the developer remains the owner and manager of the centre and continued involvement is thus ensured. A post-mortem assessment would reveal shortcomings directly associated with the planning phase. Such developers grow in knowledge through the daily experience of the product they have initiated and have a competitive advantage when it comes to developing additional new centres.

It should be clear from the foregoing that developers are powerful agents and strategists in shaping the shopping centre industry and ultimately the artefacts experienced by many millions of people all over the world to fulfill their consumption needs.

## CHAPTER 3

### THE RETAIL SYSTEM AND DEVELOPMENT POLICIES

Retail facilities do not exist in isolation. They are linked to the supply system consisting of producers and wholesalers and are in competition with other retail functions. This relationship does not exist on an isotropic plane as suggested by classical central place theory, however, a hierarchy of functions is discernible and at the heart of an understanding of how the system functions. It has a direct bearing on feasibility studies and the demarcation of trade areas (Ghyoot, 1992:46). Formulating shopping centre development strategies requires a sound knowledge of the retail system.

#### 3.1 Centre hierarchies

The principle of a system of retail central places arranged in an hierarchical order is an accepted empirical principle in retail analysis and dates back to the work of Walter Christaller (1934). The subject has been thoroughly researched and the classical theories do not need repetition. (Berry and Parr (1988), Davies (1976) and Potter (1982) give a comprehensive review of the principles). It is, however, important to note that Christaller's work on "Central Place Theory" was based on Southern Germany and reviewed the structure of a region with towns and villages. The principles were later successfully applied in town planning where rapid urbanization and the planning of suburbs included retail land use patterns. The retail structure of the large urban areas, however, is more complicated than a simple, clearly identifiable hierarchy of nodes. The typology of urban commercial structure by Berry (Potter, 1982:45) classifies commercial developments into three main groups, namely centres (planned or unplanned), ribbons (lining major traffic arteries) and specialized areas (product specific types), each with a subset of classifications. Dawson (1983) formulated an extensive classification for shopping centres.

Three basic principles underline the classification of central places, namely function,

location and size (Davies, 1976:89). The method is to arrange the classification from smallest (low order) to largest (higher order) or *vice versa*. The lowest order in the retail distribution system is represented by the freestanding informal trader where the function is of limited quality and product range and serves a very limited need as depicted by the fruit or flower seller. The next level would be the single freestanding shop, depicted by the freestanding corner shop in urban areas or the general dealer trading store in rural areas. Shopping centre development, by definition, only starts at the next level of retail distribution system i.e. clustering of a number of shops. The highest order in the retail system, though, is essentially the central business district (CBD).

An analogy can be drawn between the regional classification of central places (towns) and suburban shopping centres. Table 3.1 gives such a comparison from lowest order to highest order.

Table 3.1: Functional comparison between regional and suburban central places

Functional Order	Central Places	Suburban Shopping Centres
Low	Village	Local convenience
Low	Small town	Neighbourhood
High	Large town	Community
High	City	Regional
High	Metropole	Super regional
Low/High	Specialized towns e.g. tourist/resort towns	Waterfront/ theme centres

The table above does not necessarily contain a comprehensive classification, but merely highlights the functional relationship and perspective when observing and classifying central places and in particular the retail distribution system. Carter (1965), for example, in his hierarchical classification of the towns of Wales, incorporated a functional approach, through utilizing a grading index (i.e. A to F) and identified twelve major types of towns.

This study was conducted on a regional basis and the development of shopping centres in rural areas as part of villages and towns is an important component of this assessment.

It represents some of the greatest opportunities and successes for shopping centre development in emerging markets. The hierarchy of central places in KwaZulu-Natal and the relevance to shopping centre development is accordingly discussed in more detail.

### 3.2 Central places in KwaZulu-Natal.

Central places in KwaZulu-Natal were classified according to the number of business and administrative functions listed in the 2000/1 telephone directory (Annexure B). The advantage of the method is that the information is readily available and quantification is possible. A wide range of activities can be identified which would otherwise have been difficult to ascertain, for example, a consultant or doctor working from home. A site visit alone to a central place is not as accurate. Attempts to classify a number of central places by means of site visits and a land use survey (range and size of facilities) have proven not as accurate, and are also costly and time consuming.

Population numbers were considered for the classification, but have proven problematic and inconsistent with the observed business activity at central places, such as at Richards Bay, where the trade area population of approximately 43 000 (1996), would result in it being classified as a village. This is clearly not the case in terms of business activity - it has the fourth largest number of business and administrative services (after Durban-Pinetown, Pietermaritzburg and Newcastle) in KwaZulu-Natal. Villages on the other hand, serve large numbers of rural people outside the village perimeter, such as at Nqutu where the total trade area population is in the order of 150 000 (1996) and those living in the village approximately 2 250 (1996). Variations in economic development, geographic distribution, household income and lifestyle makes population numbers a secondary consideration in this classification of central places in KwaZulu-Natal.

The disadvantages of a telephone book survey is that qualification of the quantified data is not possible. Complete accuracy of the quantified data is also not possible for the following reasons:

- non-listing of enterprises (infra structural limitations and financial

- constraints could result in non-listings in the telephone directory);
- vacancies (existing and new) cannot be detected;
  - multiple listings (alternative names and in different languages for the same place), could lead to double count of the same place (cross reference to telephone numbers could prevent or limit it);
  - time lag (changes between publications - 12 months) does not reflect the most recent situation;
  - marketing listings (e.g. Empangeni based firms also listing under Richards Bay) could result in over count (the address needs to be verified);
  - whilst most business names are descriptive and the type of activity can be detected, it is not possible in all cases (this could be solved by phoning the enterprise); and
  - informal trading cannot be assessed.

Notwithstanding the above shortcomings, the business activities listed in the telephone directory were found to be very consistent with the general observation of the size and function of central places. The higher order centres (metropole, city) in the hierarchy of central places could be easily identified in terms of number of business and administrative services, as there is a quantum leap in numbers between them and the lower order centres.

Setting the benchmarks for number of business and administrative services in order to differentiate between villages and small towns, and between small towns and large towns, is somewhat more problematic and in the final analysis, is arbitrary and based on perception of the functionality associated with the proposed hierarchical classifications. It is submitted that a more detailed classification falls essentially outside the scope of this study. This classification was compiled with the intent to obtain an overview at the macro level ( economic base assessment). Figure 3.1 and table 3.2 gives the classification for 67 central places in KwaZulu-Natal.

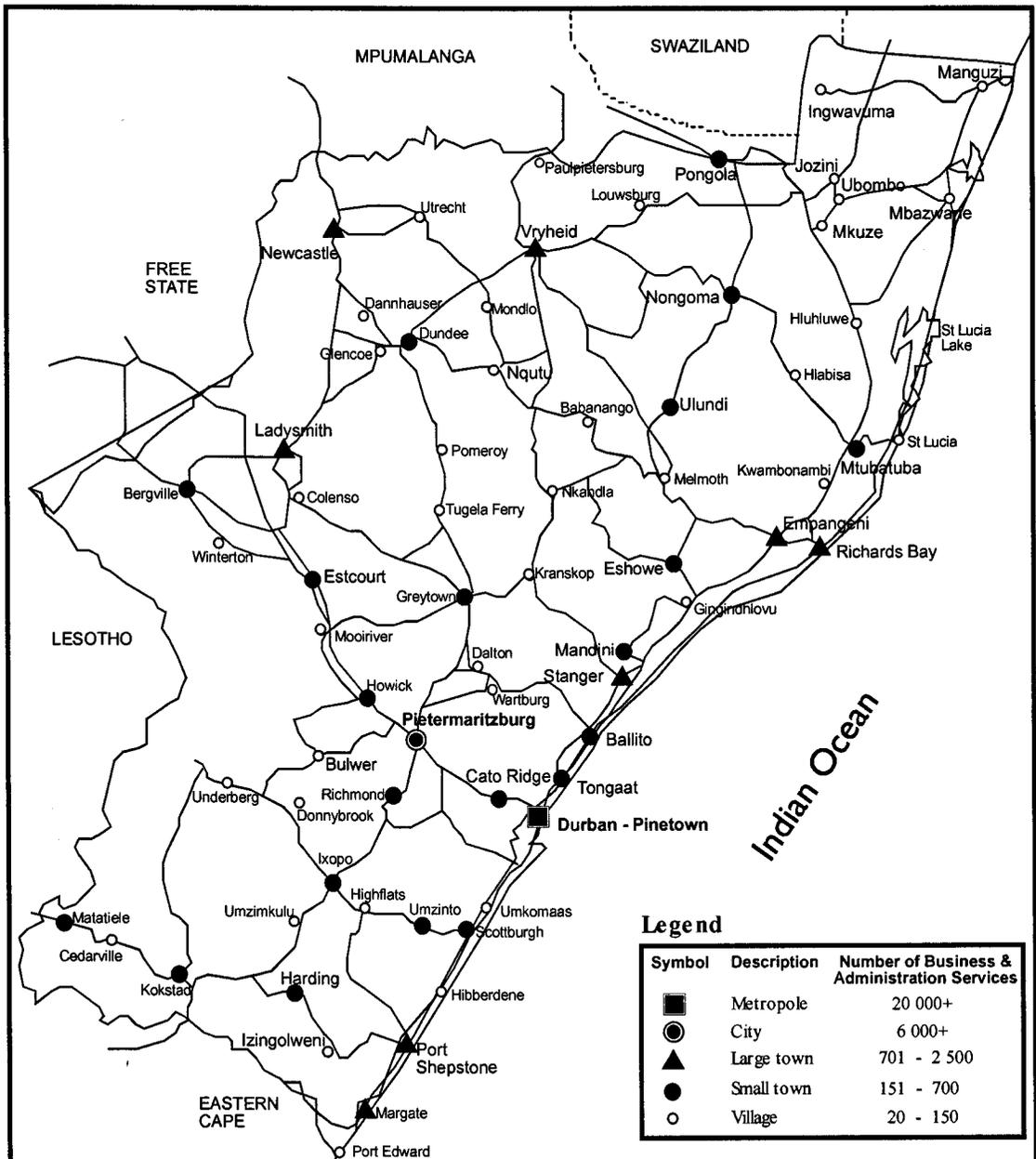


Figure 3.1: Central places, KwaZulu-Natal, 2000

The number of facilities per classification indicate that a hierarchy of central places exist in KwaZulu-Natal. The dominance of the Durban-Metropole and Pietermaritzburg is also discernable. Questions of importance for this study is, firstly, how does retailing feature in the hierarchy at present and secondly, what are the dynamics that could possibly change the hierarchical status of current central places and the future impact on retail provision.

Table 3.2: Central places in KwaZulu-Natal, 2000

Description	Number of business and administration services	Number of places	Places classified
Metropole	more than 20 000*	1	Durban-Pinetown
City	more than 6 000*	1	Pietermaritzburg
Large town	701 to 2 500	8	Newcastle, Richards Bay, Port Shepstone, Margate-Shelly Beach, Ladysmith, Empangeni, Stanger, Vryheid
Small town	151 to 700	20	Tongaat, Howick, Estcourt, Dundee, Kokstad, Eshowe, Mtubatuba, Ballito, Greytown, Scottburg, Pongola, Umzinto, Matatiele, Mandini, Harding, Ixopo, Ulundi, Richmond, Nongoma, Bergville
Village	20 to 150	37	Underberg, Umkomaas, Mooiriver, Port Edward, Melmoth, Highflats, Paulpietersburg, Glencoe, Hibberdene, Dannhauser, Nqutu, Cato Ridge, Winterton, St Lucia, Hluhluwe, Mkuze, Kwambonambi, Manguzi, Gingindlovu, Utrecht, Kranskop, Jozini, Mbazwana, Dalton, Wartburg, Nkandla, Ingwavuma, Izingolweni, Tugela Ferry, Bulwer, Cedarville, Donnybrook, Babanango, Colenso, Ubombo, Pomeroy, Hlabisa.
Total		67	

\* Estimate based on sampling and number of designated pages in telephone directory

Dealing with the first issue, the number of retail facilities were categorized for food-related (supermarket, fruit and vegetable dealers, and butcheries), clothing and footwear, furnishings and appliances, and other (such as pharmacy, general non-food dealers, hardware, liquor, fabrics, cosmetics and hairdressing, music, telephones, video hire). It should be noted that some services associated with shopping centres such as restaurants, banks, fast foods, post offices and doctors rooms, do not form part of the definition of retail. Table 3.3 gives the combined results for large towns, small towns and villages.

Table 3.3: Total number of business and administration services for large towns, small towns and villages in KwaZulu-Natal, 2000

Services categories	Large towns			Small towns			Villages		
	Total	%	Avg	Total	%	Avg	Total	%	Avg
Retail: food-related (supermarket, butchery)	386	4.20	48	301	4.90	15	214	7.22	6
Retail: clothing, shoes	411	4.47	51	322	5.24	16	94	3.17	3
Retail: furniture and appliances	226	2.46	28	186	3.03	9	71	2.39	2
Retail: other	1471	15.99	184	1089	17.74	54	511	17.23	14
Restaurant, fast food, catering	409	4.45	51	287	4.67	14	105	3.54	3
Medical and health	379	4.12	47	312	5.08	16	122	4.11	3
Financial and postal	414	4.50	52	291	4.74	15	130	4.38	4
Other services	829	9.01	104	523	8.52	26	207	6.98	6
Wholesalers	208	2.26	26	138	2.25	7	46	1.55	1
Industrial services	650	7.07	81	198	3.22	10	57	1.92	2
Construction and engineering	590	6.41	74	270	4.40	14	107	3.61	3
Manufacture, mining, forestry	257	2.79	32	151	2.46	8	83	2.80	2
Auto and agricultural services and products	943	10.25	118	612	9.97	31	197	6.64	5
Transport (excl. taxi's)	203	2.21	25	101	1.64	5	43	1.45	1
Business support services	528	5.74	66	266	4.33	13	84	2.83	2
Professional services	308	3.35	39	145	2.36	7	46	1.55	1
Real estate	134	1.46	17	71	1.16	4	28	0.94	1
Accommodation and tourism	278	3.02	35	182	2.96	9	217	7.32	6
Education, welfare, sport	425	4.62	53	439	7.15	22	406	13.69	11
State and local government	149	1.62	19	256	4.17	13	197	6.64	5
Total	9 198	100	1150	6 140	100	307	2 965	100	80

Two significant deductions, as per the above table, related to retail provision are:

- the relative importance of food shops lower down in the hierarchy, indicative of the lower incomes associated with rural areas; and
- the relative strong presence of retailing as a percentage of business and administration services, in small towns.

To fully comprehend the place of retailing in the total services provision and central place system, the economic base and type of functions of the hierarchies must be placed in

context. It is known, for example, that remote rural places such as Mbazwana and Manguzi are serviced from Empangeni-Richards Bay with respect to industrial, technical and administration services. Retail purchases are essentially an activity that happens closer to place of residence. Travelling 275 km (Manguzi to Empangeni) to do grocery shopping is illogical and does not happen in reality and when it does, is an anomaly and insignificant (Nelson, 1958, postulated that the impact of visitors from far on retail sales is insignificant in terms of a viability assessment- see Ghyoot, 1992:66). The same argument goes for furniture, as the logistics and costs of transporting it over long distances is problematic. Clothing on the other hand, is more easily transportable, yet a financial value judgement on transport cost vs. product cost would favour nearby (to residence) central places.

The trade area assessments conducted for this study support this view with respect to rural areas, where significant trade area overlapping could not be detected in all cases (see chapter 7 : Harding and Port Shepstone, or Empangeni and Gingindlovu). The view that is submitted herewith, is that due to the low income nature of rural people, the demand for a wide variety of goods is significantly less than in higher income areas, thus the need to visit multiple higher order centres on a regular basis is limited - provided sufficient facilities exist at the nearest central place. The relative low personal mobility and high cost of public transportation is also a barrier to regular long distance trips. When and where it does occur, it is most likely to impact only one level up in the hierarchy - hence the relative strong presence of semi-durable and durable retailing in small towns over that of villages, as seen in the above table. This is brought about by villages with insufficient threshold population numbers (households) and disposable income to induce a competitive comparative shopping environment at village level - impetus for "out shopping". There are, however, cases in deep rural areas (Manguzi, Jozini) where, due to the remoteness of the villages and the development of sufficient retail facilities, the majority of convenience, semi-durable and durable retail goods purchases have been "contained" and "out shopping" limited to higher order goods such as vehicles.

The averages for the three types of central places in relation to population, and some

ratios deducted with respect to retail facilities are explored in table 3.4 and table 3.5 (correlation coefficient matrix). The crude average will indicate the general trend, but it should **not be substituted with the importance of micro analysis** of trade areas as considerable variation in economic base and household income levels will impact on the buying power potential and retail provision.

Table 3.4: Analysis of averages: Trade area population , number of retail facilities and household income

	Large towns	Small towns	Villages
Average trade area population	186 295	114 766	48 050
Average number of retail facilities	311	95	24
Average annual household income, 1996	R25 259	R16 301	R13 513

Table 3.5: Correlation coefficient matrix

	Average trade area population	Average number of retail facilities
Average number of retail facilities/area	0.96	-
Average household income	0.96	0.999

Table 3.4 indicate a positive progression in average trade area population numbers, number of retail services and household incomes in the hierarchy of central places. Villages, thus, not only have the least amount of trade area population on average, but also the poorest in terms of household income. The variation in income levels thus has to be taken into account when retail provision is planned. Table 3.5 indicates very strong correlations on all accounts when averages are utilized, in particular that of average household income and number of retail facilities. The correlation analysis supports the principle that household income is a strong indicator of retail facility provision, as indicated in the previous chapter.

### 3.3 Economic base assessment

The second issue raised with respect to the relevance of central places and retail provisions relates to how the economic base may influence retail provision.

Retail provision features strongly in **large towns** with substantial manufacturing and service industries such as Newcastle, Ladysmith and Stanger. A large town with a strong tourism-based economy - Margate - has a lower number of retail enterprises, compared to a manufacturing based large town such as Newcastle (table 3.6).

Table 3.6: Comparative percentages for number of business and administration services for manufacturing and tourism based economies

Economic base	Manufacturing			Tourism		
Central place classification	Large town	Small town	Average	Large town	Small town	Average
Central places	Newcastle	Estcourt		Margate	Ballito	
Service categories	Percentage of total number of business and administration services					
Retail: food-related (supermarket, butchery, fruit & vegetables)	5.53	3.02	4.28	2.67	0.93	1.80
Retail: clothing, shoes	5.73	5.63	5.68	3.76	2.78	3.27
Retail: Furniture and appliances	2.53	3.82	3.18	1.67	1.54	1.61
Retail: other	16.71	17.91	17.31	17.20	15.12	16.16
Sub total (retail)	30.49	30.38	30.44	25.29	20.37	22.84
Restaurant, fast food, catering	4.19	6.04	5.12	7.26	7.72	7.49
Medical and health	5.33	3.22	4.28	4.34	7.41	5.88
Financial and postal	4.79	4.83	4.81	2.84	2.16	2.5
Other services	9.19	9.66	9.43	13.77	16.05	14.91
Wholesalers	2.20	2.41	2.31	1.59	0.31	0.95
Industrial services	6.06	2.21	4.14	3.67	3.40	3.54
Construction and engineering	5.59	5.23	5.41	6.84	4.94	5.89
Manufacture, mining, forestry	4.33	2.82	3.58	1.09	0.31	0.70
Auto and agricultural	10.12	12.47	11.30	4.76	2.78	3.77
Transport (excl. taxi's)	1.86	2.01	1.94	1.67	0.93	1.30
Business support services	4.39	3.02	3.71	5.34	9.26	7.30
Professional services	3.00	1.61	2.31	3.01	4.94	3.98
Real estate	1.26	0.80	1.03	2.92	4.32	3.62
Accommodation and tourism	1.53	2.82	2.18	10.10	12.35	11.22
Education, welfare, sport	4.39	7.24	5.82	4.09	1.54	2.82
State and local government	1.26	3.22	2.25	1.42	1.23	1.32
Total	100	100	100	100	100	100

The downstream economic activities benefiting the most from a tourism based economy is service related, such as maintenance, cleaning, security, gardening and restaurant and catering services. The same pattern has been observed at small towns with a tourism based economy as indicated in table 3.6, thus, by comparison, the average number of retail enterprises in a tourism-based central place in KwaZulu-Natal is 25 percent less than encountered in manufacturing-based central places.

The economic spin-off of a tourism industry is related to job creation (low entry level requirements), service industries (maintenance, security, cleaning) and non-retail services such as restaurants, travel agents, catering, vehicle hire, sport and recreation, many of which operate from shopping centres.

To substantiate the importance of micro trade area analysis, the Empangeni and Richards Bay scenario are highlighted. The relative close proximity of the two large towns to each other (18 km) has contributed to unification of their economies. They are now considered to be a future single central place, with one municipality (already instituted), although some growth is still required before there will be physical unity. A closer analysis of the economic base indicates that the high number of industrial and business related services in Empangeni-Richards Bay is economically linked to the harbour and heavy industries (metal and other minerals). The nature of these industries is specialized and provides downstream opportunities for other very small specialist enterprises. Thus, while substantial in quantity they are not substantial in quality or employment opportunities. Compared to the economic activities of other large towns such as Newcastle and Ladysmith, it is evident that Empangeni-Richards Bay is lacking in respect of small and medium size manufacturing - the biggest opportunity for mass employment. Whilst plans for enlarging the harbour and establishing an export processing zone have been mooted, the actual timing and execution is unclear - thus hampering economic growth and future projections of retail demand. Once the manufacturing void is successfully filled, Empangeni-Richards Bay is poised for a quantum leap from being two large towns to that of a single city, with demand for retail services following suit.

**Small towns** are geographically dispersed and have substantial rural populations in their trade areas. However, whilst they are dispersed, they are not totally isolated, and enjoy good accessibility from the main traffic routes. Small towns have on average the highest number of retail facilities compared to all business and administration services in their respective trade areas. Domestic, auto, agricultural, education and social services are also prominent (table 3.3). The larger small towns have also substantial manufacturing and industrial concerns, thus pointing to the importance of industrial development in the economic well-being of a central place. Small towns are also well placed in terms of distance (geographic advantage), to serve villages, in particular those that are underdeveloped or where the threshold population and disposable income does not justify the establishment of a wide range of services. Thus, the variety of retail services present in small towns is sufficient to serve villages lacking adequate services.

The economic base of **villages** in KwaZulu-Natal is focussed on retail, educational, welfare and government-related services. Tourism industries are also prominent and many tourism places are integrated with mixed-use farming (including game). Manufacturing does not feature in many villages, farming is of a subsistence nature and forestry and sugar cane farming (which requires limited and seasonal labour) is regularly encountered. In general, there is poor integration of villages with an agricultural based economy and many rural areas in KwaZulu-Natal are nothing more than dormitory rural settlements (Tugela Ferry, Mondlo, Manguzi, Highflats). It therefore stands to reason that these rural communities are the poorest in KwaZulu-Natal and prospects for shopping centre development are limited and where they do exist, shopping centres would be relatively small in size. Prospects to fast-track growth at the village level will depend on the ability to turn subsistence based farming practices into market based activities. To achieve this, the issue of land tenure (from tribal land to freehold) would have to be resolved to stimulate more commercial farming - a sensitive political issue in KwaZulu-Natal for which a solution is not yet in sight.

The lessons of importance to shopping centre development in rural central places in KwaZulu-Natal, concluded from the above central place classification are:

- The industrial based economies have the most potential for shopping centre development;
- A conservative approach should be adopted when the viability of a centre is based on tourism. The viability will hinge more on the strength of the local market;
- Shopping centre development possibilities exist in deep rural villages with substantial trade area population numbers (more than 45 000);
- Small towns and villages benefiting from retail purchases generated from nearby underdeveloped deep rural villages must factor into account the possibilities of such villages developing and thus reducing their market share, in particular, those central places with weak proximal trade populations (less than 45 000);
- The services provided by the higher order central places and patronized by lower order central place populations does not necessarily benefit all retail goods categories; and
- Shopping centre viability assessment based on household numbers and income in the proximal trade area (distance and accessibility advantage over competitors) is the best approach in rural areas.

Shopping centre development, with respect to serving the emerging market of large towns, small towns and villages is confined to central place locations (CBD). None of the mentioned central places have economies large enough to implement a suburban-type system of shopping centres. The next section takes a closer look at shopping centre types associated with metropolitan areas.

### 3.4 Shopping centre classifications

Shopping centre classification is a useful analytical tool to study centres in terms of common characteristics, however, it is not the beginning nor the end of shopping centre development nor is it shopping centre development *per se*. The entrepreneurial spirit simply does not conform to clearly pre-defined parameters, as it contradicts the principle of being an entrepreneur.

“Centres need not be true to type. A good developer can mix and often should, components of each” (White & Gray, 1996 : 214)

Classification assists developers of shopping centres in two ways:

- defines the methodology and best practice parameters for repetitive entrepreneurs wishing to duplicate a successful concept; and
- set the benchmark for new concepts (to improve on).

Each shopping centre, notwithstanding classification, has unique features related to its location, size, design, appearance, tenant mix and the market it serves, reflecting entrepreneurial flair (some better than others). Being of a dynamic nature, the classifications are continuously reviewed and updated as new development concepts appear. An official classification of shopping centres does not exist in South Africa nor KwaZulu-Natal at present. An attempt by the South African Council of Shopping Centres to embark on such a project has also not yet materialized, but the true question is whether such a classification should enjoy “official status” as the forces that shape commercial development evolve beyond simplistic guidelines associated with classifications.

The traditional method of classifying suburban based shopping centres into local convenience, neighbourhood, community and regional centres based on lettable area criteria is well publicized and is an integrated part of shopping centre typologies. The types of centres that does not conform to the traditional classification is substantial in variety, size and function and consensus on universal classification criteria is not considered practical, hence arbitrary descriptions are encountered (White & Gray, 1996: 33). The following analysis considers shopping centres in three broad categories, namely traditional, contemporary and future trends.

### 3.4.1 Traditional suburban centres

The traditional classification of shopping centres after 1950 is based on a three-tier system consisting of neighbourhood, community and regional centres (Dawson, 1983:17). It represents a time when urbanisation and economic growth in the First World was gaining momentum. The classification criteria are as follows:

Table 3.7: Traditional classification criteria - USA

Centre type	Gross lettable area (GLA)(m <sup>2</sup> )	Trade area population
Neighbourhood	3 000 - 10 000	2 500 - 40 000
Community	10 000 - 30 000	40 000 - 150 000
Regional	30 000 +	150 000+

Dawson, 1983:18

The function of a neighbourhood centre is mainly convenience and some personal services. The key tenant or anchor tenant is a supermarket and accounts for approximately 30 percent of the total lettable area. Other typical tenants - line shops - include butchery, green grocer, non-food general goods, clothing, furniture, hardware, chemist, video hire and post office. Services include fast food or restaurant, hair dressing, financial, medical and offices. The floor area ratio of retail vs services is approximately 3 : 1. The design varies from a simple open plan strip, L- or U shape, to that of an enclosed mall for bigger centres. The developer is usually locally based and it could be a once-off investment by an individual, a consortium or regional development agency.

Community Centres function as places where a greater variety of merchandise is offered to a substantially larger population than that served by a Neighbourhood Centre. The typical sizes vary from 10 000 m<sup>2</sup> to 30 000 m<sup>2</sup> and the catchment population from 40 000 to 150 000. Multiple supermarket and department stores may be part of the tenant mix of such a centre. National and regional retailers are well represented, whilst the design is generally an enclosed mall. There are examples, however, of an open configuration though the design is still that of a mall-type, with the parking arrangements

surrounding the centre. Locational preference for such a centre is usually confined to intersections of major suburban roads. The development needs considerable financial backing and is thus inclined to be governed by the larger financial institutions and property investors.

Regional centres are the most sought after by major investors and developers and provide a full variety of retail services, with strong national tenant participation and make for a very competitive shopping experience. The investment risks in these developments are perceived to be low. Sizes vary from 30 000m<sup>2</sup> to 100 000m<sup>2</sup> GLA. Trade area population exceeds 150 000. The design is usually an enclosed mall and the inclusion of a large supermarket (sometimes more than one) and a number of large department stores is utilised to create strategic anchors some distance apart whilst the mall(s) between the anchors are lined with smaller specialized traders. Entertainment facilities (such as cinemas) also feature strongly in the tenant mix. Accessibility from a wide catchment area is critical and hence these centres need to be located close to intersections of major freeways, national roads, and /or major urban arterials.

An extension to the traditional classification has been necessary in order to classify new types of centres. It should be noted that the theoretical classification of centre types is not necessarily the same as the criteria or classifications used by town planning approval authorities. It is in particular the work of Dawson (1983) that has influenced and acknowledged an extension to the traditional types and hence a variety of other centre types have been defined in the **extended classification**. Whilst the extended typology is not as old or ingrained as the traditional three tier system, it is herewith considered as a further dimension to the traditional classification.

Dawson's (1983:26) extension to the traditional classification includes six main types and fifteen sub-types. Table 3.8 highlights the classification and the typical lettable areas associated with each.

Table 3.8: Extended classification

Main Type	Sub-type	Typical Size (m <sup>2</sup> )
General purpose free-standing centres	Strip	1 500
	Neighbourhood	5 000
	Community	20 000
	Regional	50 000
	Super-regional	100 000
General purpose centres in shopping districts	Infill	2 500
	Extension	15 000
	Core replacement	40 000
Multi-use centres	New Town centres	40 000
	Downtown megastructures	40 000
Ancillary centres	Hotel associated	3 000
	Office associated	3 000
	Transport associated	3 000
Speciality centres	Purpose-built	6 000
	In recycled buildings	6 000
Focus centres		10 000

Source: Dawson, 1983 : 26 -27

Despite the classification hierarchy above, the most influential classification for town planning and hence shopping centre development in South Africa has been the five-tier hierarchy proposed by Berry and the Urban Land Institute (Kahn, 1993) which comprises the following:

Local Convenience Centres (500 - 2000m<sup>2</sup>)

Neighbourhood Centres (2000 - 10 000m<sup>2</sup>)

Community Centres (10 000 - 30 000m<sup>2</sup>)

Regional Centres (30 000m<sup>2</sup>+) )

Central Business District

A proposed extension to this classification by Ghyoot (1992) has been the introduction of large local centres (2000 m<sup>2</sup> - 10 000 m<sup>2</sup>) and super regional centres (75 000m<sup>2</sup>+).

Super regional centres (wider variety of retail, entertainment and other services) are also included in the hierarchy of suburban centres by the International Council of Shopping Centres<sup>1</sup> (White & Gray, 1996:55) and the South African Council of Shopping Centres (SAPOA, 1999).

Freestanding centre types, as pointed out by Ghyoot (1992:49), are also applicable to business districts i.e. what Dawson classifies as general purpose centres in shopping districts (table 3.8). The business district is thus an agglomeration of commercial properties each managed on its own. It originates from a historic pattern in central town areas with the eventual spread to the suburban areas. It is most distinguishable in the older parts of towns or metropolitan areas. In some cases a nodal form exists but most typically ribbon development is distinguishable. Differentiating between the business district and the planned shopping centre is an important principle as the former is associated with a greater competitive freedom than that associated with shopping centres. Thus it needs to be stressed that management and control of competition is an integral part of the modern shopping centre concept (Dawson & Lord, 1985: 2).

#### 2.4.2 Contemporary centre types

The contemporary view of shopping centre classification is that changes in the system are related to new types and redefining the size parameter and function of traditional centres, which is not as clear cut as in the past. Kahn (2001) holds the view that the neighbourhood centre has increased in size from approximately 6 000 m<sup>2</sup> in the 1960's to that of 12 000 m<sup>2</sup> in the 1990's, and that community centres increased from 15 000 m<sup>2</sup> to 35 000 m<sup>2</sup>. A quantum leap in size is also postulated between community and regional centres, where regional centres require floor areas of at least 75 000 m<sup>2</sup> and can be as large as 120 000 m<sup>2</sup>. White and Gray (1996: 213 - 214) is of the opinion that the role of the traditional regional centre in the USA has, due to the emergence of power centres, changed to that of community centres, which can be as large as 100 000 m<sup>2</sup>. Changes to

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<sup>1</sup>

Neighbourhood: 3 000 m<sup>2</sup> - 10 000 m<sup>2</sup>; Community: 10 000 m<sup>2</sup> - 30 000 m<sup>2</sup>; Regional: 40 000 m<sup>2</sup> - 80 000 m<sup>2</sup>; Super regional: 80 000 m<sup>2</sup> - 150 000 m<sup>2</sup>

the traditional descriptive names of shopping centres have also been proposed by the Building Owners and Managers Association of **Australia** (BOMA). A revised classification of shopping centres for planning purposes was accepted in 1995 (SAPOA News, 1995:37). The classification identifies six core types and three speciality types, namely:

#### Core types

- A1. Central business district
- A2. Super regional centres (85 000m<sup>2</sup>+) )
- A3. Large regional centres (50 000 - 85 000m<sup>2</sup>)
- A4. Regional centres (30 000 - 50 000m<sup>2</sup>)
- A5. Sub-regional centres (10 000 - 30 000m<sup>2</sup>)
- A6. Neighbourhood centres (smaller than 10 000m<sup>2</sup>)

#### Speciality classification types

- B1. Display/Warehouse centres (Larger than 5000m<sup>2</sup>, large warehouse-type shops located near regional centres or in unconventional locations such as industrial areas).
- B2. Theme centres (No specific size, usually in tourist areas, do not include supermarkets, consist mainly of specialist tenants and a food courts).
- B3. Markets (enclosed buildings, larger than 5000m<sup>2</sup>, dominated by food stalls, can operate on a permanent, temporary or periodic basis).

In addition to the suggested changes to the traditional centres a number of new centre types have been identified. Description of these types are arbitrary, and uniformity in terms of size and naming is not encountered due to cultural influences. Contemporary centres are also sometimes grouped under the classification of speciality centres, as indicated with the BOMA classification. Table 3.9 briefly describe the functioning of a number the new types encountered in South Africa. The list is by no means comprehensive. A detail debate on contemporary classification falls outside the scope of this study as it is not applicable to the emerging markets of this study. Specialized type

centres are associated with affluent economies and markets. The traditional classification is more applicable to the emerging markets of KwaZulu-Natal.

Table 3.9: New shopping centre types, South Africa

Centre types	Alternative names	Function
Value Centres	Power, Bargain, Outlet, Off-price	Cost effective large shops for discount traders and factory outlets. Strong value for money image. Limited number of conventional retailers, e.g. Springfield Value Centre , Durban
Waterfronts	Festive	Leisure centres in specialised locations with water component (natural or man made), e.g. V & A Waterfront, Cape Town
Theme	(usage is inconsistent)*	Specialized centre where tenant mix and architectural features are manipulated to create a unique setting, e.g. The Workshop, Durban.
Motor Cities	Auto Malls	Clustering of auto-related traders requiring large floor areas, e.g. Old Fort road, Durban.
Home Improvement	DIY/Furniture Malls, Big Box's, Decor.	Clustering of a specific range of speciality traders requiring large space and a setting conducive for comparative shopping for durable domestic goods. Supermarket and clothing is not included. Does not have to be discount traders, e.g. Home Centre at Springfield Park, Durban.
Entertainment	Amusement, Theme Park, Casino's	Focus on tourist and leisure, very strong architectural theme, limited retail e.g. proposed Marine Theme Park at the Point in Durban

\* Architectural reference to a centre with distinct historic building style. The 1999 Shopping Centre Directory (SACSC) use the term in lieu of Waterfronts/Festive centres. BOMA definition describe a specialist-type centre without and anchor tenant.

The contemporary structure of shopping centres exhibits the following features (Kahn, 2001):

- Greater variety of shopping centre types;
- Centres of similar size but different tenant mix and orientation can co-exist;
- Renewal of centres is imperative to improve service and orientation to changing trade area demographics;
- Increased mobility (more than one vehicle per household in affluent areas) has enhanced multiple shopping trips for different purposes;
- The different types are complimentary to each other, not competitive;

- Increase in centre sizes to incorporate greater variety of products and services;
- Increase in non-retail services such as restaurants, entertainment, cinemas.

A conceptual planning model must take cognizance of socio-economic variations in the market place which is critical when assessing buying power and market penetration potential.

#### 2.4.3 Future trends

The changing world has had an impact on how retail formats are analysed, in particular the need for early detection of new trends (pro-active development). Crystal ball gazing in shopping centre development is a late 1990's phenomena and an appropriate methodology (assuming it is a possibility) is currently in its infancy. It is linked to a deeper understanding of the psyche of the consumer, but perhaps even more on a fundamental soul searching analysis of all that is humanity on a global scale (Benjamin, 1996:111).

One such phenomenon, described as “Lifestyle Centres”, has been identified as a possible future type. White & Gray (1996 :214), defines it as “*a type of centre or store where consumers can purchase items that define who they are, how they live and what they believe in*”. Whilst the definition and examples of an authentic lifestyle shopping centre, and its place within the commercial market is still unclear, some commercial formats such as The Stables in Durban (3 day a week craft/flea market style set-up in stables) is already utilizing the lifestyle branding. An extension to the Boardwalk shopping centre in Richards Bay proposed by Retail Africa developers, describe it as a Lifestyle Centre, yet the proposed extension will be anchored by Woolworth. The term “Lifestyle Centre” is thus in danger of becoming a marketing fad and may negate the potential to set a clearly defined new trend.

Another possible trend, leading on from the lifestyle concept, for which an “official” term or definition has not yet been established, nor does such an example exist at present, and

herewith referred to as “**Soul Centres**”, is appearing, at least in concept, more and more in recent literature and discussions on future trends. Benjamin (1996: 110 - 112) links the “soul concept” to that of a new mind set described as “deep-ecology”, “*a growing tendency to locate the sources of intrinsic values (including one’s sense of moral and religious authority) in the realm of Nature, of ‘the Ecology’, ‘the Environment’, ‘the Planet’ - even perhaps of ‘the Cosmos’...*”. Neville Trickett, a business concept adviser, made a passionate plea at the 6<sup>th</sup> African Congress of Shopping Centres in Cape Town in October 2001, for “retailing with a soul”, and Brian Kirchmann (see chapter 2), writes on 2 October 2001, in an effort to mobilise interest in township shopping centre development in South Africa: “*the...objective: to create hearts and souls for black urban communities*”.

The essence of a “Soul Centre” is to create a shopping environment that not only projects a certain lifestyle, or create a “feel good” shopping environment, but has the ability to change the mind set and even fundamental values of the consumer. The centre, thus, has to make a strong, biased statement in terms of its social responsibilities and economic linkages. There would probably be strong educational and entertainment features, both visual and in terms of tenant selection. The centre and its tenants should project the fundamental values of honesty, transparency and integrity and must be committed to reaching the consumer at a personal level that is not associated with self service shops. The kind of products associated with this new phenomena should include unique and hand made goods, embracing the passion and “soul” of its manufacturer. Social and economic responsibility (Benjamin, 1996: 110) also needs to be reflected in the price of the goods, where the consumers will be given the assurance that the manufacturer of the product has been paid a fair price and that no environmental destruction has resulted from its manufacture, as is the case with shops under the Oxfam umbrella (Coote, 1992).

The extent to which new trends and shifts in fundamental values will influence shopping centre development in emerging markets, is still unclear. Trading in the townships has stagnated at a rudimentary stage and an evolution into formats that will enhance social and environmental responsibility is not in sight, mainly due to the continued high poverty

levels. However, the concept of a “Soul Centre” has strong synergies with the African philosophy of “ubuntu”<sup>2</sup> (Mbigi & Maree, 1995:2) or African-American spiritual music. Perhaps the term “Ubuntu Centre” would be more fitting in South African context, should such conceptual centres ever be developed.

### 3.5 Conceptual planning models

A comprehensive planning model will take cognizance of the hierarchy of centres as well as income variations. Davies (1976:132) developed a six-stage development model, starting with the ideal theoretical model where a classical four-tier system is in equilibrium and variations, due to locational and trade area characteristics, distort the theoretical model. An empirical model, therefore, should indicate variations related to different income groupings. It is, however, the model (figure 3.2) developed by Kahn

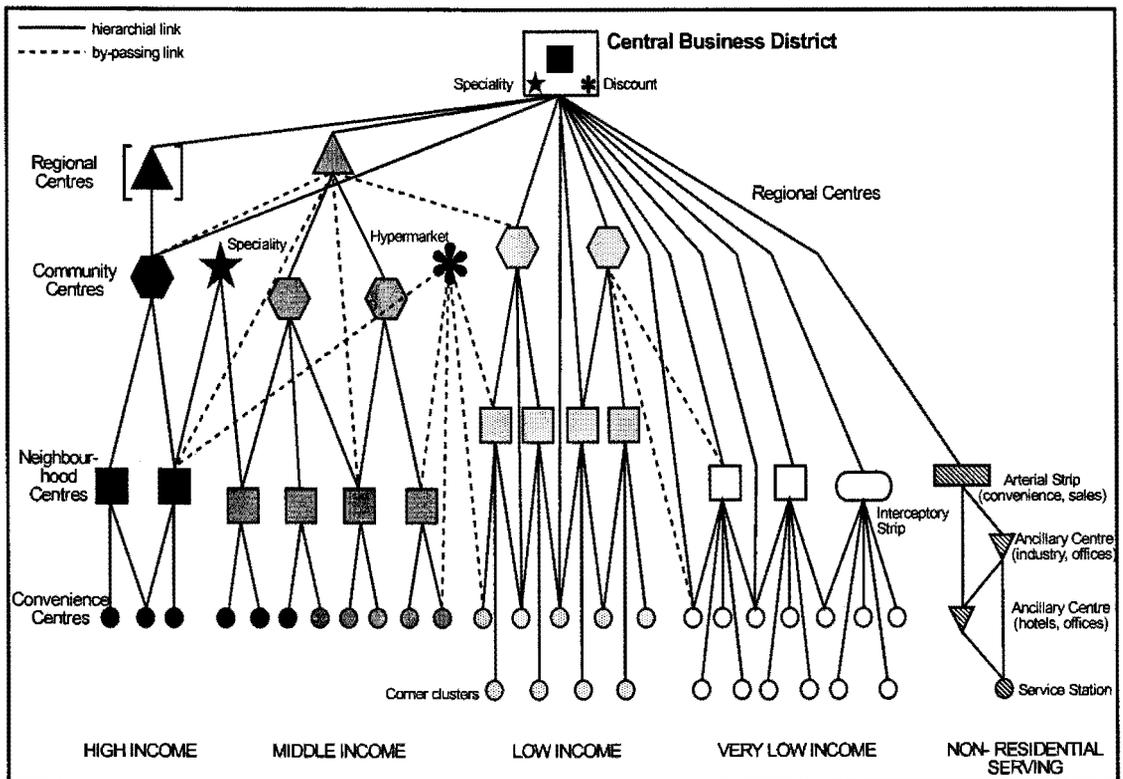


Figure 3.2: Kahn's conceptual planning model (1983)

(1983:271) for the Durban metropolitan area that is of particular significance for an

emerging market study in KwaZulu-Natal. Kahn<sup>3</sup> maintains that the model is conceptual and has not updated it *per se*, but has described new types, similar to those discussed under traditional and contemporary centre types.

The conceptual model as illustrated in figure 3.2 includes high, middle and low and very low income areas. The model does not define the income parameters for the different income groups, and Kahn also does not believe that the conceptual high income group actually exists in KwaZulu-Natal. The conceptual retail structure for high income areas has therefore no application in KwaZulu-Natal. This view is also supported herewith, not from the basis that there is no high income earners but that the critical mass to justify a high income system doesn't exist in KwaZulu-Natal. The characteristics of the retail system related to the above four income groupings, as postulated by Kahn, are as follows:

#### High income sector:

- Fewer shopping centres at all levels
- High levels of mobility decrease the need for convenience (local) centres but neighbourhood and community centres tend to be larger than average
- Centres tend to be at the geographical centre of the trade area

#### Middle income sector

- Reflects the average arrangement of the theoretical model.
- Private vehicle ownership dominates.
- Regional centres play an important function.
- Trade area overlapping and multi-purpose shopping trip behaviour attract some shoppers from both high and low income areas.

#### Low income sector

- Limited personal mobility and income will reduce viability threshold levels.
- Proliferation of low order centre types.

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<sup>3</sup>

Personal interview with Prof Kahn , University of Natal, who graciously made lecture notes available.

- Sufficient threshold level for a regional centre is unlikely.
- CBD is the most likely place for durable goods purchases due to reliance on public transport .
- Walking distance catchment areas.
- Larger centres on main public transportation route.
- Pear-shaped catchment areas if located near township entrance.

#### Very low income sector

- Most limited hierarchy of shopping centres due to very low mobility and spending power.
- Strong and direct links with the CBD.
- Increase in corner shops, spaza shops and low level convenience centres/clusters.
- Limited number of neighbourhood centres but when they occur, are larger than normal as some higher order functions are incorporated.

The conceptual model is, however, seen as a dynamic one which will incorporate changes over time. In particular, as the income levels rise a fuller development of the hierarchy can be expected in low income areas, whilst specialist type centres will be added to the higher income sector.

### 3.6 Adjustments to Kahn's conceptual planning model

The proposed adjustments to the Kahn model (figure 3.2), as discussed with Kahn, is related to the low and very low income groups only. Only two adjustments are proposed, namely, a lowering of the neighbourhood centres to illustrate smaller neighbourhood centres for low and very low income groups, and secondly, adding Spaza shops below corner clusters.

To illustrate the proposed adjustments, the retail structure of Madadeni township (near Newcastle), as surveyed in 1995 is highlighted (figure 3.3). Although the only neighbourhood centre in the township (Ithala Centre Madadeni), was extended from 5

600 m<sup>2</sup> to 9 300 m<sup>2</sup> in 1996, a significant functional change has not been observed after the extension, and the centre is presently 25 percent vacant, thus occupied shop area is only 7 000 m<sup>2</sup>. There has been no other significant retail developments in Madadeni since 1996. The same general retail structure has been observed in Umlazi and KwaMashu townships, whilst retail development patterns in Edendale, Esikhaweni, KwaDabeka and Ntuzuma townships have, with the exception of a large neighbourhood-type centre, also a similar structure.

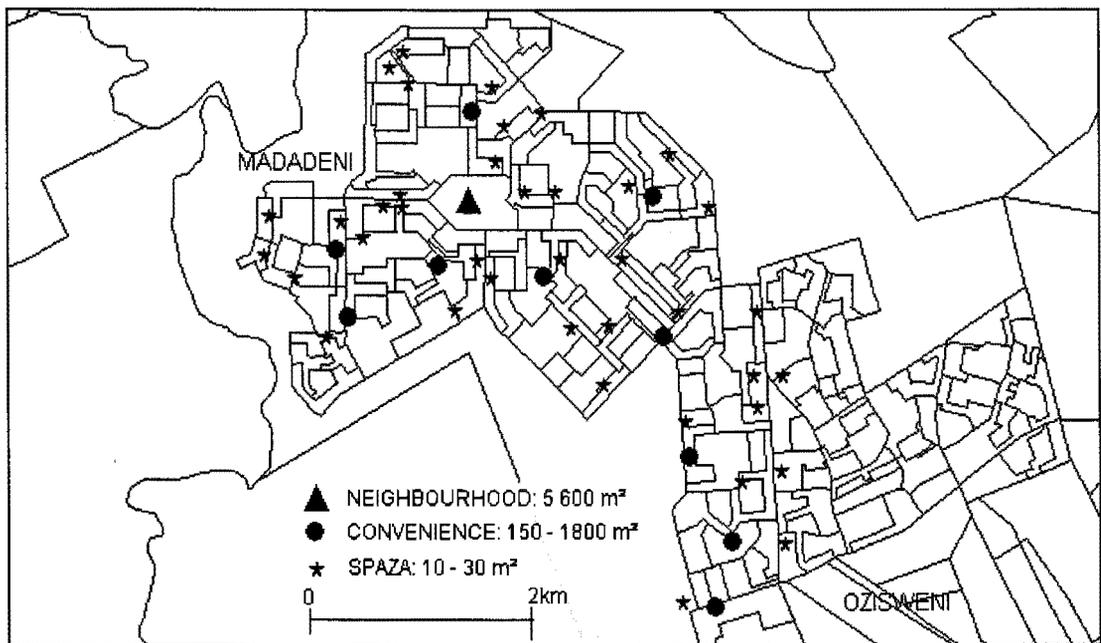


Figure 3.3. Madadeni retail structure, 1995

The Madadeni retail structure is similar to what has been described by Kahn (1983), for very low income areas, however, two variations observed from visits in 2001 to the three major townships discussed in this study, are that neighbourhood centres are functionally smaller in size and that there is no indication that community centres (bigger than 10 000 m<sup>2</sup>) would be viable as proposed by Kahn for low income areas. The function of Spaza<sup>4</sup> shops has to be recognised as a *de facto* addition to the retail distribution system in low income areas.

4

Literal meaning of the word “spaza” is: “imitation of something bigger” i.e. convenience shop such as café or superette in this case.

The immediate challenge for townships is twofold, firstly to establish a series of successful local convenience centres either by developing new centres or by redeveloping existing, well located centres, and secondly, to formalise the status of spaza shops and street traders and to set minimum standards for operations. Control over street trading needs to be instituted, to curb the negative perception of street trading on formal retail facilities in townships. If not, formal traders and shopping centre developers would have no protection against informal traders establishing in the road reserve, obscuring views and access and thus degrading the quality of the shopping environment, as has been the case at V-section, Umlazi. Thus the political will, to formalized retailing in the townships, has to be part and parcel of an effective shopping centre development strategy in townships in South Africa. The following section briefly highlights the impact of the political dimension on shopping centre development aimed at emerging markets. Analogue is drawn with First World experiences at the time when shopping centres emerged.

### 3.7 Development policies

An advantage of a delayed start in the shopping centre industry, as is the case with emerging markets, is that lessons can be learned from the front runners and hence a more productive utilization of resources is possible. The relationship between developers and local government is an important catalyst to make shopping centre development happen or not happen. In this regard there is no clear directive from local or central government authorities on how shopping centre development is to be initiated in townships in KwaZulu-Natal - if at all. The reality of low investors confidence in townships is slowly dawning on local authorities in South Africa. A development policy that will instill investor confidence and kick-start the establishment of shopping centres in townships has not yet been formulated. Attention is thus turned to the First World experience for guidance.

### 3.7.1 Purpose of planning policy

The primary goal of a planning strategy from a planner's point of view is to assist in achieving some socially optimal distribution of retail facilities (Dawson, 1983:96). This goal requires a balanced approach whereby the economic, social and environmental impact of retail facilities, current and proposed, needs to be assessed.

From a positive economic perspective, shopping centres add to the creation of employment, the distribution of wealth and an increase in revenue and rates base. From a positive social perspective they add to efficiencies, safe and secure shopping environments and social interaction. From a positive environmental point of view they may contribute to the modernization of backward areas, reduce land use conflict, upgrade derelict commercial structures and integrate with new environmentally efficient technologies.

On the negative side, economic monopolies may be increased and the balance of retail provision and distribution may be shifted. Negative social impacts include favouring certain social groups, limiting choices through tenant stereotyping, breaking with historic shopping linkages and attracting vagrants and criminals. The negative environmental impacts are associated with traffic congestion and pollution nodes, changing the traditional character and landscape, causing blight on other facilities, and placing additional pressure on existing infrastructure.

The approach to planning policy may be negative or positive i.e. enforcing pre-conceived ideas or being obstructive as opposed to actively involving key role players in the planning process. Various strategies have been followed in First World countries ranging from an initial "*Laissez Faire*" approach to a "Top-Down" approach. The output of policy directives has to deal with the unique experiences and objectives of each country, town or governmental and local authority. Notwithstanding the uniqueness of the output, it is the methodology followed and best results achieved, that are of importance for this assessment.

### 3.7.2 Policy directives in the United States of America.

Public policy influence, prior to 1980, from the federal government was minimal and where it did occur was indirect and unstructured (Berry, 1981). Shopping centre development strategy was mainly influenced by macro economic factors such as the state of the national economy, financial policy and interest rates. Policy directives, where they existed, were locally based and applied through zoning legislation.

The federal policy which had the greatest positive impact and survived the longest, was the Urban Development Action Grant which essentially encouraged a partnership between government and industry. Its aim was to assist developers financially with the objective of encouraging investment in depressed cities (Ellison, 1979). The policy was not only limited to retail (up to 25 percent of the funding went to retail projects), but was also that of a generator of employment, particularly low income employment of unskilled people. The business principle thus was to mobilize funding from the private sector in a ratio of approximately one to six (Dawson & Lord, 1985:14). Allocation of funds was undertaken through a State Department (Housing and Urban Development) which had to determine a “distress” status for a potential project. Thus projects in close proximity to areas of poverty would qualify. The developer would also have to demonstrate equal employment opportunities weighted in favour of middle, low income and minority groups. Due to the success achieved with the programme, the British Government adopted a similar scheme managed by the Department of the Environment (Mallison & Gilbert, 1983).

The most recent example of this method, have been the redevelopment of Harlem, New York, where the revitalization of Harlem, an African-American suburb with a colourful history, are being implemented on the back of a designated “empowerment zone”-initiative, mobilising over half a billion federal, state and local funding (National Geographic, April 2001: 122- 124).

### 3.7.3 Urban planning policy in the United Kingdom

Planning policy in the UK differed significantly from that in the USA insofar as the contribution of planning authorities were more rigid and authoritative. The British planning system enabled wide control by central and local government. The central government devolved power to local authorities which had the advantage of ensuring uniformity at local government level. Essentially, modern town planning in the UK started in 1947 with the Town and Country Planning Act. Thus, following the destruction to the urban areas during World War II, a strategy was adopted by the planning authorities to protect historic central shopping areas by discouraging decentralised shopping centre development. Decentralised shopping facilities were, however, included in New Town developments that emerged post World War II.

The Central Government controlled the development programme by laying down the broad guidelines within which local authorities should act. Local authorities were obliged to draw up development plans to be approved by the Central Government. Developers, however, could also appeal to Central Government against local authority proposals. In essence, then, a reactive policy was formulated to discourage the development of new freestanding shopping centres in suburban settings. On the positive side, the planning authority did not merely regulate the private sector, but was actively involved in the initiation and development of shopping centres to the extent of providing all the finance as well. This method ensured a more equitable distribution of shopping facilities to include both the lower and middle income markets.

The earlier shopping centre developments were thus powered by a good relationship between local authority and developer. In order to revitalize old town centres and assemble land for such projects, the local authority was equipped to undertake compulsory purchase orders (expropriation) and thus had the means to assemble complex property arrangements, particularly in central business districts. The fact that the local authority was also involved in the outcome and financial success of the product reinforced an appreciation of the developer's role and perspective. The system in place,

however, was slow and project assembly took many years (Dawson & Lord, 1985 : 40 - 55). The need to change resulted in amendments to the 1947 Act in 1968 and 1972, introducing the idea of structure and local plans for future development, although the basic principles of obtaining development permission and protecting existing business districts remained as part of the strategic objective of a local authority (Dawson, 1983:98-99).

One of the disadvantages of the British system is that, whilst protecting existing developments, it falls short of initiating new types of centres and thus discourages innovations in the shopping centre industry - thus a truly conservative approach.

#### 3.7.4 Lessons for emerging markets

As highlighted in the preceding paragraphs it is important to conclude that the need for planning must not lead to over-planning. When driven by market forces, as in the USA, developers will seek out affluent markets first. The middle and low-income market will be the last to benefit, if at all. There are ways and means to develop a social conscience for developers by legislation but it will not ensure their co-operation. Whilst developers are the ultimate key to ensure continuation, governments have a social responsibility to ensure that development reaches all communities. An incentive programme is one way of enticing the private sector whereas a more active role by government in the planning and finance of centres could be a necessity (as seen with the Point Marine Theme Park development in Durban, where the unicity's economic development fund will contribute R357 million to the required R657 million) in order to ensure a more equitable distribution network of centres, in particular those that serve low income areas. Furthermore, whilst the consultation process with local stakeholders is an integral part of a healthy planning process, planners must still be receptive to changes in both the macro and local economic environments.

## CHAPTER 4

### SHOPPING CENTRE DEVELOPMENT IN EMERGING MARKETS : INTERNATIONAL EXPERIENCES

The purpose of the chapter is to review experiences in shopping centre development on an international level. Selective references will be made to places with similar characteristics and applicability to KwaZulu-Natal. It is also important to notice that few Third World cities do not possess any degree of modern retail development (Potter & Salau, 1990:173). The positive relationship between economic prosperity and shopping centre development is an empirical certainty and global experiences could highlight possible successful development strategies. However, it should be stressed that assessing shopping centre development from within the cultural, economic and political diversity of the Third World is an important conceptual deviation from First World development theories (Findlay, Paddison & Dawson, 1990: 271).

Considerable diversity exists within the broader definition of emerging markets. An assessment of the research of various international geographers and academics on retail development makes a broad classification of market types possible. In order not to be paralysed by a detailed analysis of specific case studies of shopping centre development, a new typology is proposed whereby the incidence and penetrability of shopping centre development in emerging markets can be accounted for. It must be stressed that this is not a general typology of emerging markets, nor a development or growth stage model, but merely a descriptive assessment and classification of some generic characteristics present in the literature on emerging markets. Four shopping centre development markets in the Third World can be distinguished, and are herewith defined as<sup>1</sup>

- gradualistic;
- mergelistic;
- progressionistic; and
- transformistic.

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<sup>1</sup> New linguistic terms were created for this classification and are defined in the text

Gradualistic markets refer to places where the take-up of modern shopping centres is slow or gradual, for example in African countries such as Nigeria, Kenya and Tanzania. Mergelistic markets refer to a merger of the modern centre with traditional or cultural specific distribution forms as observed in Northern Africa, the Middle East and Asia. Progressionistic markets have historic links with American and European retail development concepts and progress along the already established lines as experienced in South America, Eastern Europe, South Africa, Namibia, and the West Indies. Transformistic markets are distinguished by a retail transformation process whereby modern shopping centres are developed as part of an extensive new town or redevelopment programme of an entire market place as experienced in countries such as Kuwait and Singapore.

#### 4.1 Gradualistic markets (slow or gradual)

##### 4.1.1 Characteristics

Most of the markets in this category are typified by many towns/cities in Sub-Saharan Africa. The impact of colonialism on development patterns and the retail systems has been profound. The introduction of western civilization in the 19<sup>th</sup> and 20<sup>th</sup> centuries forever changed the traditional subsistence and barter economies of Africa. However, regardless of these profound impacts, the modern shopping centre is still not a common feature of the retail landscape and, where it does occur, is limited in size and impact and usually associated with the CBD of primary cities (infill centres) or serving small pockets of elite middle class residents in suburban areas.

Gradualistic shopping centre markets are linked to some of the poorest countries in the world. The retail distribution system functions by way of a traditional central market place that can be permanent or periodic, open or enclosed. Formal trading occurs in the CBD's and follows a ribbon development-type structure, radiating outward from the CBD in typical high street fashion on the main transportation routes. Informal trading is rife and exists adjacent to formal establishments on pavements and in streets. The general

trading structure is typically dominated by small scale traders.

#### 4.1.2 Factors conducive for retail development

The limited number of shopping centres implies an absence of competition and should a successful development programme be established, some opportunities for developers could appear. Due to the fact that these markets move off a low economic base, the potential is limited. The development of shopping centres in gradualistic markets would focus on linking with an efficient food distribution system through supermarket operations. The impetus for supermarkets to act as anchor tenants is thus already present in gradualistic markets.

The case of Nigeria highlights a typical example of what could possibly change to the advantage of shopping centre development. Being rich in natural resources, Nigeria's post-independence economic recovery was boosted by the oil boom of the 1970's. Wage increases literally doubled overnight, benefiting people in the formal urban sector (Findlay, Paddison & Dawson, 1990:74). The beneficiaries embarked on a spending spree with demand for imported goods such as radios, motor cycles, sewing machines, cars and electrical appliances featuring strongly. The boom had a widespread impact on consumption and development patterns. Wheat and imported rice became the new staple foods for the urban poor and bread penetrated even the remote rural areas (Andraw & Beckman, 1985). State investment programmes benefited mostly the major cities with opportunities in construction, trade, transport and formal jobs fuelling rural-urban migration. The population of Kano, a northern Nigerian town, is estimated to have increased from 250 000 in 1963 to well over one million by 1980. The downside was that the opportunities for quick profits in the urban areas and the new economy had a negative impact on agriculture which stagnated with export of goods being replaced by manufactured imports (Watts, 1983).

The impact on retailing was profound. The character of urban retailing could be clearly differentiated from that of rural areas. The larger companies, although indigenised in

ownership and staffing through political transformation, retained good links with European retailing, embraced the new styled department stores and supermarkets and focussed on expanding in major towns which housed the urban rich. A number of smaller independent traders also emerged, taking mainly the supermarket-styled retailing to the larger rural towns. Specialist retailing by multi-nationals, however, remained rare. "Despite the enormous increase in urban incomes in the oil boom, demand was still, apparently, insufficient, to support specialist retail chains" (Findlay, Paddison & Dawson, 1990:75). The traditional markets soon proved inadequate as overcrowding and congestion followed rapid urbanization. New open markets, with concrete walls and floors were constructed in urban and rural towns, and a vast army of hawkers roamed the streets, many probably opportunist or job-seeking survivalists (Gugler & Flanagan, 1978).

Economic decline in Nigeria started in the 1980's with the fall in oil prices. Export earnings halved between 1981 and 1983, inducing the subsequent closure of factories, retrenchments and wage cuts in the private and public sectors. The impact on the retail sector followed this dramatic turn-around with consumer spending estimated to decline by 28 percent in 1986 alone. The retail industry's reaction to the decline in consumer spending varied from withdrawal, down-sizing and establishing supermarket-type superstores. The consumers reacted by an increased patronage of traditional markets in search of better prices. The widening gap between rich and poor was thus further exacerbated by these events.

Governmental intervention had a limited impact on retailing. Attempts at retail price control were ineffective whilst legislation to reserve retail trade for Nigerians only was more successful. Attempts to improve traffic and pedestrian flow meant the inevitable action to control and downsize street hawking and road stalls.

Gina Porter's statement "recession has brought, perhaps fortunately, a very rapid close to what might have been the start of a retail revolution in northern Nigeria" (in Findlay, Paddison & Dawson, 1990 : 83) summarizes these all-embracing events as well as a

growing concern about the suitability of western retailing forms in Africa. It is therefore concluded that the inevitable relationship between trade area population and economic wealth, which translates into consumer demand and spending power, is at the heart of compiling a successful shopping centre development strategy.

#### 4.1.3 Impediments for shopping centre development

Low income and economic poverty are usually linked to low productivity. The inability to produce local goods in a technologically advanced format, for example canned food, means the inevitable reliance on a large range of imported goods which makes the retailer sensitive to price variations and the ability to be competitive. Products with a substantial shelf life are a critical factor in establishing modern retail facilities. Slow absorption and development of new technology - which is related to illiteracy - are an impediment to shopping centre development, whilst the limited mobility of the masses, poor public transportation, the lack of electricity and storage facilities (refrigeration) are legacies of economic poverty and similarly curtail such growth. Poverty necessitates a high degree of self-sufficiency, hence reliance on traditional sources such as fishing, hunting, home gardens, herbs and medicines and wood for fuel. This, in turn, limits the demand for a variety of products - even the basic ones.

Political instability, poor governance, monopolies and exclusivities, intolerance to foreigners and exploitive commercial behaviour of minorities all contribute to a psychological resistance to establish western style retail facilities. Ethnic dominated commercial functions, in particular of Indian, Arab and European origin, which constitute a foreign minority in Africa, are at risk of being extradited by political action as has been the case with Indians in Uganda (1950's) and in Kenya and more recently, the seizure of white farms in Zimbabwe. Thus, political action can bring about a total and unforeseen collapse in the retail system which is therefore perceived as a high investment risk, in particular when dealing essentially with fixed assets such as brick and mortar structures.

Cultural barriers in these markets are more commonly linked to religious influences and

in particular the fundamental Islamic faith in certain areas, which discourages the participation of women in the retail environment. This obviously limits the possibilities for female oriented boutiques, hair salons and products such as cosmetics, stationery, books and magazines (limited educational demand).

In addition, land tenure is often a complicated matter and access to suitable sites in the right location is sometimes a near impossibility. The traditional concept of communal or national ownership makes freehold sites a very scarce commodity, which results in inflated land prices for such sites to such an extent that the financial viability of a potential project is seriously jeopardized. It has a knock-on effect which inflates rentals and commodity prices and ultimately makes for exclusive developments serving the rich only. Utilizing traditional land could occur by means of special permission to occupy (PTO) or long term leases with the state. However, transfer of occupational rights is a complicated and long process and in a country such as Mozambique state land assets are not controlled by a central register, but distributed to various state departments which often do not have an accurate description of properties in their possession.

#### 4.1.4 Applicability to KwaZulu-Natal

Two issues of importance to KwaZulu-Natal from which lessons can be learned, is the impact of the economic base and traditional land tenure system on shopping centre development. Many rural areas (see chapter 10) are in a state of commercial decline due to limitations in the economic base (for example, the closure of Mooiriver Textiles in 1999/2000, the single most important industry in Mooiriver after agriculture, has highlighted the danger of a local economy with limited variety), thus diversity in the economic base is required to act as buffer against the potential sudden loss or decline of a major industry. The Nigerian example as mentioned previously, also highlights the need to diversify in times of prosperity as a hedge against possible future economic turmoil. Places in KwaZulu-Natal that lack from economic diversity are mostly, but not exclusively, rural with an agricultural based economy (see also Empangeni-Richards Bay as discussed in previous chapter).

The traditional land tenure system is another impediment to shopping centre development as access to land and investment security is strained. One such example in KwaZulu-Natal is Hlabisa, where the transfer of land from State to Local Authority, and hence the creation of freehold land, has been “in process” since 1995, with no clear indication as to when the process will be concluded - much to the frustration of many traders (Boxer Supertrade, Pep Stores, Ithala Bank) wishing to establish in the village. The solution to the problem is sought in good governance (political) and decisive central and local government action plans.

## 4.2 Mergelistic markets (merging traditional and modern)

### 4.2.1 Characteristics

Markets in this category have a long-standing historic tradition making for a culturally specific retail system. Shopping centre development opportunities in these markets vary with economic changes and urbanisation, but ultimately have to co-exist with established retail patterns holding a minority share in purchase power distribution. Typical examples of these markets are found in Mediterranean Africa, the Middle East and Asia (Morocco, Damascus, Egypt and India respectively). A number of major trends i.e. urbanization of rural markets, universal expansion of new retailing forms and upgrading of existing centres have blurred the distinction between commercial sectors usually defined as “traditional” or “modern” (Troin in Findlay, Paddison & Dawson, 1990 :87).

Rapid economic growth (3 to 5 percent per annum) over the last three decades in these markets has seen an increase in urbanization and consumerism. However, this economic growth has not reached all citizens nor is it comparable with western consumption or some other emerging markets such as Kuwait or South East Asia. Traditional retail places such as suqs (bazaars) and trading streets of the medina (ancient Arab core) have remained intact and adapted to the ever-changing needs of the consumers. The improvements of transportation infrastructure and communication linking the urban and rural areas has not resulted in the demise of the rural suqs even in cases where they have

been relocated to the fringe of the CBD or urban periphery. Furthermore, the development of supermarkets and shopping centres have happened at a slower pace than might have been anticipated.

Specialized commercial ribbons or nucleations containing mainly durable and specialized goods to cater for different market segments can be observed within or adjacent to existing traditional shopping places. Shopping centres have followed the location of up-market suburban areas but these are small (neighbourhood type) and serve only a minority market. Some traditional shopping markets and streets have been transformed to cater for tourists - keeping the cultural experience intact (Berriane in Findlay, Paddison & Dawson, 1990). In spite of these changes, the city centre retains its primary commercial function. The strength and popularity of the traditional markets for foods such as meat, fruit and vegetables inhibits the growth of supermarkets. Provided the traditional shopping places continue to adapt and retain a high standard of service and shopping excellence, their future seems secure and the need to develop modern shopping centres must be questioned. Economic recession, however, and a decline in spending power has already impacted on these traditional patterns with what seems to be the inevitable increase in informal street traders and patronage of the central shopping districts by the poorer members of society, thereby eroding the customer base which used to be spread over all income groups (Eckert & El Kefi in Findlay, Paddison & Dawson, 1990).

#### 4.2.2 Factors conducive for retail development

A distinction must be made between modern shops and shopping goods and the modern shopping centre. Redevelopment of existing structures is possible in order to absorb new retailing forms and as such infill centres are possible in the traditional shopping street or district. However, limited vehicular access and parking also limits the opportunities. Such centres would serve mainly pedestrian customers. Changes in wealth and spending power and exposure to "first world" goods and vehicular ownership in particular do create obvious opportunities for shopping centre development which has to follow such socio-

economic groups to the suburban areas. Considering the popularity of the traditional suqs as places for food distribution, a merger with the traditional patterns will create a truly cultural shopping centre.

#### 4.2.3 Impediments for shopping centre development

There are two cultural traits within the mergelistic classification that impede shopping centre development. One could be viewed as positive for the retail system per se as the flexibility of traders to adapt existing retail structures to serve the ever-changing needs of their customers limits possible competition from new retailing forms such as the modern shopping centres, as seen in Morocco and Tunisia. The second refers to the cultural practices in India, which are closely related to the Hindu religion, and which are not conducive to the marketing principles associated with shopping centre development.

The preservation of culturally specific retail systems is due to the strength of traders within the system and well-established patterns of consumer behaviour (Troit in Findlay, Paddison & Dawson, 1990 : 94) A personal relationship and appreciation of customer needs is a quality that is probably linked to generations of experience and customary practices that go beyond formal qualifications. Agglomeration of quality traders who achieve above average turnovers has a “snowball” affect on shopper attraction. This principle has been demonstrated as part and parcel of the success of shopping centres (Warrington, 1994). Furthermore, smaller shopkeepers are better adapted to serve the poor who are accustomed to more traditional ways of shopping (Miossec in Findlay, Paddison & Dawson, 1990, 232 -233). A shopping ritual is thus based on trust, fidelity, bargaining and informal credit which guarantee a unique and personal shopping experience different to that associated with the modern shopping centre. The traditional trader in some mergelistic markets is thus a formidable entrepreneur able to retain customer loyalty by adapting to a dynamic retail market.

Cultural influences in India, on the other hand, have a different impact on the trader customer relationship. “To even a casual observer, Indian firms would appear to be less

customer oriented than organisations in developed countries” (Das and Das in Findlay, Paddison & Dawson, 1990 : 244). The general retail structure in India exhibits a proliferation of small producers and retailers. A number of studies point to a lack of customer orientation, where marketing is viewed as no more than selling (Singh, 1978, Sarin and Avasthi, 1980 and Bhatt, 1985). Economic factors alone do not explain this seemingly universal approach by Indian business entrepreneurs and answers are sought from a cultural-religious perspective (caste) by Das and Das (Findlay, Paddison & Dawson, 1990 : 243 -257).

The main characteristics of the ancient caste system in India are as follows (Kapp, 1963; Karve, 1961):

- marrying outside one’s caste is prohibited;
- partaking of food with lower caste members is also prohibited;
- hereditary occupations for each caste exist and choosing other occupations is not allowed;
- a hierarchy of castes exists; and
- a person’s birth determines his/her caste; moving from one caste to another is not possible.

This set of values, it is believed, has created a class distinction between buyers and sellers. Buyers belonging to the elite caste historically did not engage directly in the purchases of worldly goods and instead used servants to execute the transactions. The servants, who in turn belonged to a lower class than the merchants, who were not required in terms of the doctrine to show respect to the lower caste person (in this case the one executing the sale or collecting the goods). As the affluence of the seller grew over time, the gap between seller and buyer widened (Darian, 1985) because the system prohibits “upward mobility” for the sellers. Intertwined is the Hindu religion (predominant in India) which rewards consistency with past actions more than initiative, creativity and entrepreneurship. The metaphysical notion of cosmic causation and belief in one’s fate encourages inaction and makes for individuals passively accepting the happenings around them. Kapp (1963 : 44) points out that the religious prescription of

non-attachment to the fruits of one's action "not only promote lack of interest in the formulation of proper plans of action but may ultimately lead to indifference to the results of one's action altogether".

"Hinduism, through its laws and concepts of ritual pollution, discouraged trade and industry and stood in the way of any psychological bond developing between buyer and seller" (Findlay, Paddison & Dawson, 1990:253).

The joint family system - a by-product of Hindu social organisation - is also cited by Garg and Parikh (1986) as having a direct bearing on the problems faced by Indian organisations which experience apathy and a lack of initiative among middle and senior management. The basic characteristics and structure of the joint family are role bound. Authority is centralised and there is tolerance of invisible waste and low efficiency. Employee expectations centre on loyalty, obedience and conformity, thus loyalty to the family-owned enterprise assures one of a position within the organisation.

Entrepreneurial freedom and innovation of new retailing forms, like the modern shopping centre, are thus hampered through a cultural and religious belief of continuing with existing practices. Although changes in this regard are currently being experienced in India, driven by a new and younger consumer-oriented generation, it might still take many years if not generations for the new approach to reach small traders and rural areas where customary practices are well entrenched.

#### 4.2.4 Applicability to KwaZulu-Natal

Cultural diversity plays an important part in KwaZulu-Natal and South Africa. Merging the cultural strengths of South Africa's triple heritage from Africa, the West and East is proposed as a strategy to manage transformation in South Africa (Mbigi & Maree, 1995:2). To achieve this, the complexity of cultural diversity and the economic needs of South Africa must be harnessed. Of particular concern in KwaZulu-Natal, and an opportunity for growth, is to draw on the strengths of Indian traders, whom are renowned

for their participation in the commercial industry (retail and manufacturing), but seems to limit their skills to within their own family and religious structures. It is thus curious that Indian traders, with the exception of City Express (clothing retail), has made a limited contribution to establishing national retail chains. There also seems to be selective ethnic control of certain central places such as Umzinto, Highflats and Stanger. Whilst some of the current settlement patterns can be ascribed to *apartheid* policies, a new approach is required to break the mould of ethnic exclusivities. It would require Indian traders to diversify from their approach of a family-based enterprises to that of a global and national competitor, incorporating the skills of other cultural groups. The advantage for emerging market shopping centre development would be an expanded base of skilled traders, with a strong balance sheet, thus creating a more competitive market for tenant selection. The geo-ethnic dominance needs to be diluted, skills transfer must be enhanced and a South African-styled centre, merging cultural diversity should be established. This argument is applicable to all South African cultural groups emulating the spirit of “ubuntu” (chapter 3) - to work in unity with a sense of compassion, respect and human dignity. The relative youngness and political turmoil of South African society has impeded the establishment of shopping centres with an all embracing cultural “soul”. It should be a future priority.

#### 4.3 Progressionistic markets (historic links with the West)

##### 4.3.1 Characteristics

Progressionistic emerging markets have core retail structures and facilities comparable with those of the First World. Distinct cultural facilities such as central markets may still feature strongly depending on the state of progression. The point of reference, however, is a western style formal system with the addition of informal trading. Economic development is advanced but spatially and socially distinctly unequal. Future retail developments are most likely to progress in line with First World concepts. Typical countries exhibiting these characteristics are Latin America, Eastern Europe, South Africa and island states such as the West Indies.

A hierarchy of commercial centres is discernible but has more depth in higher income areas. Social and spatial inequalities are exacerbated by retail ownerships which are in the hands of large national and regional chains whilst the independent small trader has a minority share in the market (Potter & Salau, 1990 :172). The general pattern of settlement evolution conforms to Vance's mercantile model, where external forces have played an important part in shaping the pattern, first by aligning along coastal strips (where appropriate) and then aligning along major transportation routes. Urban primacy and a dependant development theory (Roberts, 1978) feature strongly but do not reflect a lack of development per se. In addition, the pattern of polarized growth can be traced back to colonial times in some cases, but not all.

Political turmoil has not escaped these markets and some of the world's newest democracies are included in this group (South Africa, Eastern Europe). A sense of economic urgency drives the development process where foreign investment, modernization, technological and skills transfer are high on the agenda (Paliwoda, 1994). Old and redundant technologies need replacement, which can be achieved by co-operation with First World countries or through entrepreneurial development. Like most emerging markets, low productivity remains one of the greatest stumbling blocks in achieving economic wealth.

#### 4.3.2 Factors conducive for retail development

Knowledge and experience of westernized retailing means easy expansion and introduction of new concepts such as specialist-type centres. The pro-development attitude of governments coupled with high literacy rates and good communication infrastructure eliminates psychological barriers. Political pressures exist to transform and establish free market and democratic principles in an attempt to finally close the door on failed political ideologies such as communism (centrally planned economy) and military dictatorships.

“ ... we need foreign investment because it also gives us security. Having a

Frenchman or an Englishman here with his factory is like having a division of troops. You in the West have overproduction. You can make money out of our shortages and our stupidity - and we have plenty of that” - Polish President, Lech Walesa. (Dobosiewicz, 1992)

Legislative changes, seeking strategic alliances with the European Union, NATO and creating free trade zones, are all attempts to encourage foreign investment into Eastern Europe. Tremendous growth is envisaged in the backward services sector which include banking, retailing, tourism and hospitality industries (Paliwoda, 1994:24).

#### 4.3.3 Impediments for shopping centre development

Rapid and radical political changes bring uncertainties on policies and a time-lag could be experienced in effecting change, which in turn delays investor confidence. Bureaucratic inertia or non-commitment of administrators to government policy could be a barrier for implementation of new projects. New governments may also be pre-occupied with political issues such as human rights and labour issues and may wish not to focus on a “capitalist icon” such as a shopping centre in the short term. Development issues related to housing, social welfare and manufacturing/production could have a higher priority.

Shopping centre developers may get caught-up in a “pro-development wave” and have unrealistic expectations on contributions from foreign investors and access to capital at preferential rates or alternatively government incentives to promote development. Viability studies may be based on unrealistically high economic growth rate projection whilst the actual growth in production, manufacturing and disposable incomes may not be achieved in the long term (shopping centres are essentially a long term fixed investment).

Emerging markets have proven to be very sensitive to international economic fluctuations (1998 Asian Market crisis) which, when a sudden increase in interest rates in particular

is experienced, may impact severely on new shopping centre developments as the rental income stream may not be sufficient to cover bond repayments. Commercial property rental levels change slowly over time. The sharp rise in interest rates in South Africa during the Asian Market crises, for example, has had such an effect on the building industry and caused delays and even shelving of projects. In Durban, the much publicized Point Waterfront project, which was awarded to a Malaysian company, came to a halt with the Asian financial crisis in 1998 and caused immeasurable damage to the image of Durban as tourist destination, in addition to the financial losses incurred.

#### 4.3.4 Applicability to KwaZulu-Natal

Most “progressionistic” shopping centre developments in metropolitan areas in South Africa and KwaZulu-Natal are encountered in middle and higher income areas. The development methodology has been derived from the USA and Europe. A hierarchy of suburban centres is discernable and some of the regional, super regional and waterfront developments are comparable with the best in the world (Canal Walk, Cape Town; The Pavillion, Durban; V & A Waterfront, Cape Town).

The most important factor that will drive developments of a progressionistic-nature in the emerging markets of KwaZulu-Natal, will be economic development aimed at diminishing the gap between “rich” and “poor”. Economic development strategies that will create mass employment in order to reduce unemployment levels to below ten percent, for example, would be a priority. In this respect, shopping centre development is a follower and not a leader. The prosperity of township people, for example, will not be achieved by building a series of modern suburban centres, it can only be achieved by improved production and employment capabilities in the economy.

#### 4.4 Transformistic markets (extensive transformation to modernize)

##### 4.4.1 Characteristics

Transformistic emerging markets from a shopping centre development perspective refer to places where a total transformation of retailing has taken place, such as in Kuwait and Singapore. Markets associated with this category are also referred to as the newly industrialized nations. The events leading up to the transformations were

- political independence from previous colonial power;
- desire to establish a new national identity;
- strategic government intervention; and
- accumulation of significant capital wealth in a short time.

The traditional retail system in Kuwait was centred around the suqs. The discovery of oil led to a dramatic growth in national affluence as reflected in consumer wealth and education. Contact with western culture and a demand for luxury goods was followed by a radical restructuring of the retail system (Al-Otaibi in Findlay, Paddison & Dawson, 1990 : 96). The modern enclosed airconditioned shopping mall is now an entrenched retail facility in Kuwait. A master plan to steer the development of Kuwait retail structure dates back to 1952 and was later revised in 1967 and 1970 by the municipality. A five-tier retail hierarchical structure was proposed, consisting of Kuwaiti town CBD, a second major decentralized centre to ease pressure on the CBD and to serve approximately 500 000 people, and seven third-order district centres serving populations of 100 000 each. Neighbourhood and local centres were structured in accordance with the existing pattern that had developed over many years. The retail structure reflected a British influence, whereby the traditional shopping market (suqs) and medina (CBD) were integrated with new forms of modern mixed-use centres, thereby retaining 45 percent of retail activity and employment in the CBD.

The transformation of Singapore saw the creation of one of the world's most intensively planned modern cities. Western influences override the "final" product with traditional

Chinese shop houses incorporated as part of a “conservation” image.

“The city state of Singapore is today a thriving, modern metropolis. Its average GDP growth of 7 per cent over the last ten years is amongst the highest in the world. Per capita income is the second highest in Asia, after Japan”.

(Ling, 1995:109)

Singapore’s biggest constraint is land, which totals 641.4 square kilometres. Land utilization is therefore a strategic asset that requires meticulous planning to serve the needs of approximately three million citizens. Singapore was a slum and crime-ridden, overcrowded, unhealthy and unmanageable city by the end of the Second World War. The British took the initiative to set up a Master Plan Committee to study the problem. This led to the adoption of a master plan in 1958, marking the beginning of official involvement in planning the physical development of Singapore, through the all-encompassing land-use zoning system - a British legacy. An elected government took over from the British in 1959 and, as a matter of national priority, commenced with an urban renewal and transformation process, starting with a massive housing programme to clear the slum areas and to revitalize the central core - which was earmarked as an international financial, commercial and tourist centre. The development of new infrastructure, such as an international airport, new towns, a motor expressway and Mass Rapid Transit railway system, was aimed at facilitating economic growth and the social needs of the population. A deliberate policy of decentralization was followed to clear the Central Area of residents and industries.

The 1980's marked the beginning of increased concern for quality of life and creating an own identity for Singapore. Interest in conservation saw the incorporation of historic and some traditional buildings into the urban fabric. A new vision was formulated in the 1990's by a new and younger political leadership emulating the rising affluence and aspiration of Singaporeans.

“Singapore will be a tropical city of excellence and a society of distinction. The

goal is to attain the Swiss standard of living before the end of the century” (Ling, 1995: 115).

In the wake of the new vision, Singapore’s long term development plan was reviewed and adopted in 1991. In terms of the new Concept Plan, a strategy of decentralization for inter alia commerce (that does not require a central area location) is to be followed. Four decentralized regional centres are envisaged, each with a commercial quantum of 1,5 million square metres and distributed in such a way as to achieve a balance between jobs and homes. The Central Area is to be developed in tandem to serve mainly an international business hub. Extensions to the downtown hub will wrap around Marina Bay incorporating hotels, offices, shops and nightlife entertainment (i.e. multi-use functions). The Central Area is envisaged to expand its commercial area from 7 million square metres to 15 million square metres at some future point in time. The general image is built around the concept of a Garden City, where vegetation, conservation and pollution control assist to create a human scale and soften the impact of a “concrete jungle”.

#### 4.4.2 Factors conducive for retail development

Over and above the obvious advantages of economic growth, per capita increases in disposable income, urbanization, demand for luxury goods and increased mobility, the cases of Kuwait and Singapore demonstrate the benefits of good urban physical planning for new shopping centre development and central governmental support and involvement at town planning level.

“Undoubtedly, the major factor in the success of Singapore’s urban development is a strong, capable government which creates a stable political environment and system within which professional planners and private enterprise could collaborate in a constructive way towards development”.

(Ling, 1995 : 119)

To achieve the desired planning goals, a set of planning legislation has been introduced, backed by well-trained administrators and inspectors to oversee compliance. To encourage private sector participation, authorities create flexible policies. To enable Government to be pro-active and speed up delivery, a compulsory Land Acquisition Act is in place. Private sector participation is invited on a tender basis. Sales and development incentives could be incorporated to facilitate the development process.

This seemingly “top-down” approach in Singapore has often been criticized (Potter & Salau, 1990) as being instrumental in damping creativity in the market place which has fostered the perception that Singapore is seen as “uniquely artificial”. However, aware of this criticism, the Singaporean government has moved to more openness and transparency, inviting public dialogue and participation through extensive exhibition of projects in public places and in the media.

#### 4.4.3 Impediments for shopping centre development

Blue print structure plans have a tendency to be very rigid and development opportunities outside the guidelines could be hampered. The absorption of new retail types could therefore also be slow.

In cases where governments are major land owners and the tender system is preferred, lengthy negotiations and procedures and the uncertainties with participating in tenders as well as the costs involved could discourage many developers from participating in the process as the successful tenderer is not always the most suitable candidate for the proposed project.

Over provision of retail space, due to the enormous capital wealth of individuals in the transformistic markets, is a distinct possibility. Shopping centres could be developed as show pieces or trophies emulating the owner’s wealth. The need and desire to transform could over-ride the actual market potential or demand for facilities - thus development is driven by political goals and not market conditions.

#### 4.4.4 Applicability to KwaZulu-Natal

Transforming a market place requires commitment, tenacity and decisive political and economic action. The reasoning for embarking on a transformation project needs to sound and must envisage long term benefits. One such place that has been transformed from a village into a small town has been Ulundi in KwaZulu-Natal. It came about through a political decision to locate the legislative and administrative seat of the former KwaZulu homeland in Ulundi. Substantial capital has been invested to create housing and office accommodation for staff. A new town layout and business centre were developed. The transformation of Ulundi was successful from a retail point of view, as the new town centre incorporated a modern shopping centre (Ondini Plaza - currently 17 000 m<sup>2</sup>) with an office block. The success of the centre is attributed to a good central location on the main road through Ulundi, limited competition, good tenant mix - incorporating a substantial number of national tenants and services such as banks - a substantial, relative wealthy urban population (approximately 30 000) as well as a substantial rural population (approximately 110 000).

The general inclination in KwaZulu-Natal, however, is slow transformation due to political divisions, shortage of investment capital, poor leadership, lawlessness and a slow bureaucratic system (approval of development applications could vary between six months and two years at best). The provincial authority needs to focus on the implementation of major infra-structural and manufacturing developments that will ensure substantial employment and downstream opportunities, notably improving the port facilities in Durban and Richards Bay and establishing an export processing zone. The focus on tourism, casino's and major retail projects such as Gateway and the Point Marine Theme Park, will make a limited contribution to long term economic prospects (Financial Mail, 28 September 2001: 44). Transformation of slum areas into formal low and medium cost housing projects should run concurrent with employment generating projects.

The biggest challenge with regard to suburban development will be the transformation

of black townships from crime ridden pools of human and environmental degradation to that of modern suburbs that will ensure investment stability for its residents and commercial property owners. It would require a new mind-set and the ultimate challenge in socio-political development in South Africa. The new mind-set must be based on upholding the rule of law as well as advocating transformation based on the “ubuntu” principles. Such is the magnitude of the problem, that a political solution, incorporating property expropriation (to redevelop suitable locations) and government funding (incentive schemes), is herewith submitted as imperative to a successful development strategy in black townships.

Transformation and development strategy can only be contemplated once an historical perspective has been obtained to create a sense of place and destiny in time, not only to learn valuable lessons from history but also to appreciate the dynamics and complexity of the market place. The next chapter turns to a short history of emerging market shopping centre development in KwaZulu-Natal.

## CHAPTER 5

### SHOPPING CENTRE DEVELOPMENT IN THE EMERGING MARKETS OF KWAZULU-NATAL - A DEVELOPMENT HISTORY

Political and economic events in emerging markets not only contribute to unique traits but have an enduring imprint on spatial development patterns. The legacy of colonialism is one such event that has touched almost all emerging markets at some point in history. The impact of racial segregation politics - apartheid - is another event that has left emotional and developmental scars on South Africa society. A review of the history of shopping centre development in KwaZulu-Natal commences against the backdrop of the apartheid-era. Development strategies are almost inevitably linked to past and existing experiences as well as historical accounts and are thus fundamental to an empirical assessment.

#### 5.1 African retailing patterns: pre- apartheid.

The colonization of the Kingdom of the Zulu commenced in 1838 when a number of white (Dutch) settlers, discontented with British rule in the Cape, invaded KwaZulu-Natal. At the time of the invasion, a small trading post for hunters had been operational in the bay of Natal (Durban). The new-found freedom of the settlers, however, was short lived as the British decided to annex the Port of Natal in 1842 (Liebenberg, 1977:155). The economy of Durban in those early years of establishment was related to its harbour facilities and the link with the Johannesburg goldfields. Durban to this day still performs this function, but has also grown as a tourist destination. In fact, the whole province of KwaZulu-Natal with its subtropical climate and extensive coastline is an important domestic tourist destination. The general pattern of spatial development has followed the mercantile model of Vance (1970), where development intensity is linked to the harbour, coastline and main transportation route between Durban and Johannesburg.

Also linked to the harbour was the expansion of sugar cane growing which proved to be



Figure 5.1: KwaZulu Natal - general orientation map

Source: Automobile Association of South Africa

a popular agricultural product in the province of KwaZulu-Natal as a whole. Labour shortages, however, were a problem; a problem that was alleviated by bringing contract workers from India to KwaZulu-Natal(KZN), the first of which (some 300 workers) arrived in 1860. Many of these workers decided to remain in KwaZulu-Natal and

continued economically by growing fresh produce through a market garden system (City Council of Durban, 1983). Indian traders thus evolved into a significant component KwaZulu-Natal and South Africa, as highlighted in table 5.1 of the ethnic composition in KwaZulu-Natal by 1996.

Table 5.1: Ethnic composition, KwaZulu-Natal, 1996

Population group	Number	%
African	6 880 652	82.13
Indian	790 813	9.44
White	588 182	7.02
Coloured	117 951	1.41
Total	8 377 598	100

Source: Statistics South Africa, 1998

The general retail system during colonial times revolved around central markets such as in Victoria Street (Durban) and Market Square (Pietermaritzburg). The historical market place still exists in Durban and although not the pivot of retailing in the CBD, it has expanded around Warrick Street and serves mainly black commuters. The market in Pietermaritzburg, as in most towns in South Africa, does not exist any more and was converted into a public open space. It is interesting to note, however, that informal retailing re-emerged within this market square in the 1990's. In other parts of KZN, pioneering Indian and European traders established general trading stores in some of the remotest parts of the province such as at Hluhluwe and Manguzi (near the Mozambican border) which have been in existence since 1918.

The five stages in the earlier evolution of black (Bantu) retailing as described by Davies (1972:7) for Port Elizabeth can also be applied to KwaZulu-Natal. The period 1840 to 1902 (stage 1) was characterised by employment-seeking blacks settling in uncontrolled locations. The outbreak of bubonic plague in 1902 necessitated that the local authorities establish controlled residential townships for blacks, which were essentially established on the outskirts of "white" towns.

During stage 2,(1902 to 1940) housing provision by the local authorities continued and an increase in wages for black workers had a positive impact on consumer demand. The gap between rich(white) and poor(black) was however still significant. “Little indication of an active interest in retail activities amongst Bantu was in evidence during this period” (Davies, 1972 : 8). Some white traders, however, did recognize the potential of the townships and established convenience goods stores. The more durable and semi-durable products were bought by blacks in the nearby “white town” CBD’s.

Stage 3 (1940 - 1953) relates to the emergence of the black trader, trading as a general dealer store, street hawker and pedlar. Hawking became such a popular form of retailing for blacks that local authorities decided to exercise control by issuing hawker licences (and thus reducing numbers). The position of white traders in the townships also became more uncertain, during this period, and their eventual withdrawal from the black areas was inevitable.

Stage 4 (1953 - 1963) highlights a period where population growth, urbanization of blacks and slum clearance operations by municipalities intensified, thus contributing to large scale residential extensions to black townships. The ensuing growth in consumer demand by blacks, however, was not balanced through planning for retail facility provision in the townships. Black traders who accumulated sufficient capital were encouraged to provide their own business buildings in the townships. The promise of establishing a new breed of emerging black trader was negated by the issues of restrictive policies (Circular Minute No. A.12/1 - A8/1) by the State Department of Bantu Administration and Development in 1963 (Davies, 1972 : 11) which entrenched apartheid legislation.

Stage 5 (1963 - 1990) as described by Davies (1972) effectively highlights the impact of apartheid laws on black traders. The assessment was obviously still ongoing at the time of the Davies publication in 1972. African retail development during the height of apartheid politics (stage 5) will be discussed in the next section. Stage 5 thus led up to 1990, the year which marked the abolition of the group areas act (compulsory ethnic

separation) which effectively commenced the dismantling of apartheid. To add to the foregoing 5 stage description, a further 2 stages can be identified. Stage 6 is the period 1990 to 1994 which highlights retailing during the gradual dismantling of apartheid. Stage 7 (from 1994) is current and ongoing and relates to the advent of a democratic political dispensation for South Africa (post-apartheid).

## 5.2 Apartheid laws and retailing

The management of people within an autonomous country is affected by means of legislation or decrees (in ancient times). In a democratic dispensation, laws are enacted through parliament consisting of representatives of the citizens (politicians) who have to organize, administer and inter alia protect the citizens, all for the collective good of the country. A situation evolved over time in South Africa - which can be traced back to colonialism - where, in a desire to protect the nationality and ethnic purity of the Afrikaner and other Europeans in South Africa, different sets of rules were formulated and applied to different ethnic groups, which in essence resulted in discriminatory policies. Citizens were classified in four main ethnic groups, namely White (European descent), Blacks/Bantu (African descent), Indian/Asian and Coloured (interracial offspring). Act No. 25 of 1945 controlled the activities of blacks in urban areas and provided guidance to local authorities on the control of black townships, which were the exclusive residential areas for blacks. Various amendments and policy directives were issued over the years, but collectively, these policies stipulated the following trading controls (Circular Minute No. A.12/1 A8/1, 1963 in Davies, 1972):

- Trading activities by Bantu (blacks) in White urban areas were not considered an “inherent primary opportunity for them”;
- When necessary, Bantu trading and traders were to be limited to operate in townships only;
- Such trading was restricted to “daily essential domestic necessities” only;
- Blacks were prohibited from acquiring land in urban areas including townships;
- Land tenure was limited to leasehold only;

- Trading rights, including hawkers, were controlled by a permit system;
- Non-Bantu enterprises were prohibited from trading within a black residential area;
- Capital investment and other financial interests from non-Bantu enterprises were prohibited in black residential areas;
- Bantu traders were limited to operate one business only, whether of the same type or not;
- The establishment of Bantu companies and/or partnerships in order to grow or extend business activities, was prohibited;
- Bantu-controlled financial, industrial and wholesale concerns were prohibited;
- Local authorities had to buy back land and buildings belonging to blacks in the townships, where they (blacks) had been encouraged to do so prior to 1963.

The main political objectives of the above legislation were first, to discourage business developments in the townships as townships were seen as purely residential establishments for future migrant labourers. The second objective was to encourage black entrepreneurs to relocate to the “homelands”. Apartheid politicians drafted a geographic development plan for South Africa whereby nine different black cultural groups would relocate to their historical tribal areas and through a progressive development programme were to evolve into independent states (defined as homelands prior to independence), complete with autonomous governments. Thus blacks would not be granted voting rights, nor citizenship nor land ownership in white South Africa.

To assist in economic development of “homelands” and to fund the relocation and establishment of black entrepreneurs, a number of Development Corporations were established. The Bantu Development Corporation (1968) was the parent body but renamed in 1977 as the Corporation for Economic Development (CED). The CED was dissolved in 1980 and replaced by a number of development corporations individually named and constituted for each homeland. The current Ithala Development Finance Corporation Limited (Ithala, enacted 1999), previously known as the KwaZulu-Finance and Investment Corporation Limited (KFC, enacted 1984) and the KwaZulu

Development Corporation (KDC, enacted 1980), a statutory enterprise of the KwaZulu-Natal Parliament, evolved from this programme. It is also this organization that developed, in 1979, the first fully enclosed, airconditioned, multilevel modern shopping centre in a black township in South Africa.

### 5.3 Shopping centre development in predominantly black areas in KwaZulu-Natal: 1978 - 1994

The development of the modern shopping centre in predominantly black areas in KwaZulu-Natal can be traced back to 1978 and came about through the efforts of a Central Government development agency - Corporation for Economic Development (CED). The impetus for such action was to create retail facilities in the major black townships of KwaZulu-Natal in order to counteract the outflow of buying power to white and Indian business districts - which were located outside the black townships. It was believed that new township facilities had to be on par, if not better, than those in white areas. To circumvent the policies prohibiting white business involvement in black areas, a tripartite arrangement was established between the KwaZulu Development Corporation (classified as African), major retail chains (white) and the KwaZulu Citizen which could acquire shares in the newly formed companies.

The development of these shopping centre projects was not taken lightly and was preceded by thorough research, thus creating a research link that gives insight into pre- and post-development assessment. The post-establishment assessment opportunities also span a period that is equal to the initial financial life-cycle of the shopping centres.

In an attempt by the CED to mobilise some of the major "white" financial institutions, to participate in the projects, the pre-planning and research studies also involved the private sector. Thus insight was given into the historic views and assessment of a seasoned "white" shopping centre developer and major financial institution. It should be noted that concepts such as trade areas, centre hierarchies, market share, socio-economic various and varying shopping behaviour, were well known to the developers at the time

of pre-establishment research.

A number of case studies will be explored following the review of the period 1978 to 1994 and the post apartheid-era i.e. 1994 to the present. Two stages can be identified within the period 1978 to 1994 namely;

- the introduction of a number of modern shopping centres into black townships between 1979 and 1986; and
- the entry of the private sector developers to the previously “off-limits” black areas which fuelled in particular shopping centre development in the central shopping districts of rural towns.

### 5.3.1 Shopping centres in black townships

Prior to embarking on major shopping centre development in the black townships, the CED developed a smaller neighbourhood centre of some 2 400 m<sup>2</sup> in Esikhaweni, a smaller black township in the Empangeni/Richards Bay area in 1978. The shopping centre was anchored by a Spar owned by a local black entrepreneur. Subsequent to 1978 the KwaZulu Development Corporation (KDC) was formed and thereafter continued with the planning and development of four community-type shopping centres for the townships of Umlazi (Durban southern area), KwaMashu/Inanda (Durban northern area), Edendale (Pietermaritzburg) and Madadeni (Newcastle). The initial ambitious schemes of some 15 000 m<sup>2</sup> each were, after a review of the research, reduced in size to that of a large neighbourhood centre. Only three of the proposed centres, however, were constructed namely :

- Umlazi (Checkers) Centre (1979, 10 400 m<sup>2</sup> lettable area);
- KwaMashu Shopping Centre (1980, 9 400 m<sup>2</sup> lettable area); and
- Madadeni Shopping Centre (1981, 5 600 m<sup>2</sup> lettable area).

The development of Edendale Shopping Centre never got off the ground in spite of numerous attempts to assemble the project. A project of approximately 7 000 m<sup>2</sup> lettable area was envisaged. The land on which the centre was planned was eventually invaded

by “politically displaced” people in 1994, thereby effectively burying the project.

Two convenience centres ( 1000 m<sup>2</sup> to 1200 m<sup>2</sup>) were also developed during this time in Umlazi, by black entrepreneurs (V Section and N Section) and another by the Small Business Development Corporation (800 m<sup>2</sup>) at Umlazi railway station in H-Section. The KDC also developed a local centre of approximately 1 500 m<sup>2</sup> in Ntuzuma Township. The balance of retail facilities in the townships consisted of corner shops, spaza shops (within a dwelling), informal traders and shops within the business districts in the townships. It should be noted that a major shopping centre development has not occurred to date in any KwaZulu-Natal township since the establishment of the KDC shopping centres (1979 - 1981). The principal reason behind this has been the poor performance of the established centres in the townships. Attempts by a consortium of two major “traditionally white” financial concerns to develop a regional-type centre, known as Bridge City, to serve the KwaMashu-Inanda township area, have been on the drawing board for more than a decade although millions have been invested in site acquisition and earthworks. The land is currently up for sale.

### 5.3.2 Shopping centres in rural towns

The development of shopping centres in rural towns gained momentum during the latter half of 1980's. During this time, private developers (mainly whites) became very active in assembling projects with the aim to on-sell the assembled project to financial or property investor institutions such as the KwaZulu Finance and Investment Corporation (KFC), Sanlam, Investec and various Pension and Life Assurance Funds. Successful projects were established for the KFC in Ulundi (1987, 6 700 m<sup>2</sup>), Sundumbili (1991, 13 500 m<sup>2</sup>) and Nongoma (1992, 10 400 m<sup>2</sup>).

The emergence of the mini-bus taxi in South Africa, which has replaced buses as the most frequently used form of public transport for the lower income sector, has during this period also played a significant part in the establishment of shopping centres in rural towns. These developments are commonly known as “taxi cities” and in essence are a

combination of a taxi rank (sometimes including a bus rank), hawkers facilities and a shopping centre. The reasons for success and popularity as a retail location are firstly the obvious advantage of being at a public transport collector location and secondly, and perhaps more significantly, the method of taxi operations that is probably unique to South Africa. Contrary to westernized forms of public transport where the transportation system functions on a time table, the South African mini-bus taxi is focussed on loading capacity. The *modus operandi* is related to achieving the highest possible fare, thus a full load, with every trip, is obviously the most economical or financially viable. To achieve this objective, minibus taxis do not adhere to a fixed time table, but have a “wait and collect” attitude. A taxi thus only departs from the rank once a sufficient number of passengers have been collected. This system has resulted in a taxi rank being a place of congregation and congestion where passengers spend some time before the need to depart arises. The fact that the taxi basically waits for the customers, shopping at the place of departure - thus avoiding long walks with parcels - has thus become synonymous with the convenience and accessibility principle. By way of comparison, railway stations for example, do not present this same opportunity.

Taxi ranks have also become “logical” places for hawkers to sell a wide variety of goods, mostly fruit and vegetables, meat, cold drinks, sweets, traditional herbs and medicines, cosmetics and clothing. Rudimentary stalls are often erected where meals and liquor are sold and hairdressing, shoe repairs and tailoring also take place. Thus, taxi ranks have in fact, re-invented the traditional marketplace, albeit that the modern shopping centre has also become a significant part of the trading agglomeration.

During the period 1978 to 1994, “taxi rank” developments were established at Empangeni “Rail”; Kokstad; Mtubatuba; Pongola, Margate, Mkuze and Estcourt (figure 5.2). Although the success of these centres varied, in general they proved to be good investments, with spectacular successes achieved in Ulundi, Nongoma and Mtubatuba. These centres are all based on the same general format i.e. total lettable area ranging between 5 000 and 11 000 square metre, anchored by a supermarket (1 400 m<sup>2</sup> - 3 000 m<sup>2</sup>) specializing in serving the low income sector such as Shoprite/Checkers, Boxer Cash

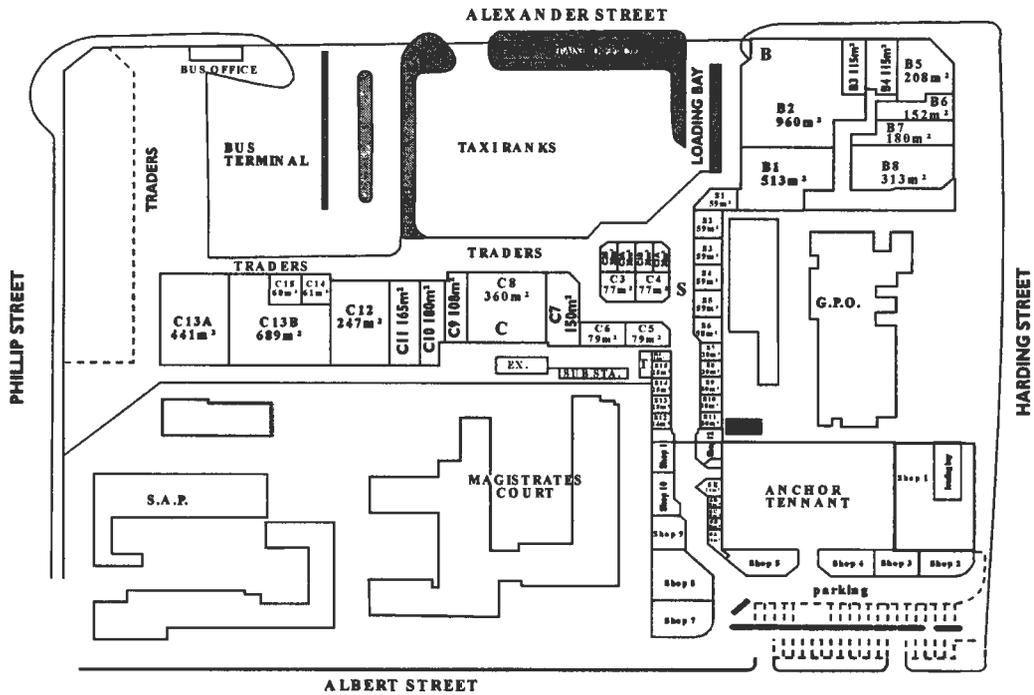


Figure 5.2. Site plan of Ithala Centre: Estcourt - established 1993. One of the first centres in KwaZulu-Natal where a partnership between the local authority and the private sector established a formal rank. The anchor tenant was added in 1998.

and Carry, Rhino Cash and Carry (warehouse-style supermarkets), Spar and Score. The line shop component includes a strong contingent of national clothing and furniture stores, whilst services such as financial, medical and fast foods add to the successful tenant mix. Other shops compare with the normal convenience shops associated with neighbourhood centres, although some smaller shops for local black traders and informal trader stalls are also provided. The design is usually an open plan centre which either integrates with the rank in a L- or U- shape, or a freestanding strip, block or arcade-type layout, next to the rank.

Lessons to be learned from open plan L- or U shape designs are related to visibility and pedestrian flow. The height of mini-bus taxi's obscure the visibility of shopfronts and signage which in turn limit the impact of comparative shopping (i.e. no visibility between shop B2 and C13A in figure 5.2 above, which also hampers aggressive price displays in a "specials" campaign). Building ends (C13A, C13B and B8), depending on

the general movement of pedestrians, may also experience less passing trade and hence lettability and re-lettability problems could occurred at such locations, as experienced at Ithala Centre Estcourt and Richards Bay Taxi City. The fact that these shops are facing the rank are not sufficient to guarantee good trading. Shops further away from the rank, but in line with the general movement (flow) of pedestrians and in-between other shops are less of a lettability problem. The solution to the problem of “end of the building” shops is to establish destination shops such as liquor and furniture, or services such as banks or doctors rooms. Another important consideration is to design for small and modular type units at the end of the building. The size of shop C13A and configuration of C13B (figure 5.2) have been another stumbling block in re-lettability.

#### 5.4 Shopping centre development in predominantly black areas in KwaZulu-Natal since 1994

Demand for retail space in rural areas from a new breed of “low-income” national retailers (many off-spring of the traditional “white chains”), fuelled the development of shopping centres in rural towns since 1994. The experiences gained in “black shopping centre” development in the 1980's in South Africa have also laid the foundation for the emergence of a “low-income shopping centre industry” that has been spreading into Africa since the late 1990's, spearheaded by South African retailing entrepreneurs - Shoprite/Checkers, Pep Stores and the Profurn Group.

The period from 1994 to 1998 may best be described as the “gold rush” of emerging market shopping centre development in rural areas of KwaZulu-Natal, as developers moved fast to tie up niche markets. The research work for this study commenced in 1995 and the researcher was thus fortunate not only to witness and document these events, but also to have been intimately involved in the development of 14 of the 41 shopping centre projects executed between 1994 and 2000 in the province of KwaZulu-Natal. The main reasons for this healthy period of emerging market shopping centre development have been:

- Political transformation in 1994 consolidated KwaZulu and Natal territories, thus

establishing the new province of KwaZulu-Natal, and thereby removing restrictions that prohibited “white” South Africans to develop and invest in “homeland” territories;

- The pro-development attitude formulated by the new Government and as defined by the Reconstruction and Development Programme (RDP) focussed attention on the previously disadvantaged areas;
- The support and pro-development attitude of traditional leaders in KwaZulu-Natal who have made access to tribal land by “outsiders” possible. The image of progress projected by the modern shopping centre in the rural areas has become a “status symbol” in many tribal authorities, fulfilling promises of “delivery”.
- The success achieved with “black” shopping centres in rural areas since 1988 in places such as Ulundi, Mtubatuba, Nongoma, Sundumbili and Empangeni, as well as improved trading in historic “white” rural towns, now mainly serving a black rural hinterland, has created a reliable frame of reference to substantiate the probability of success in niche markets of similar characteristics (refer to the analogue method of viability assessments, Chapter 2).
- The impact of Affirmative Action and Government spending on rural infrastructure such as housing, electricity, water, communications, has seen a redirected distribution of wealth towards the rural poor.
- “White” retail companies have shifted or expanded their traditional focus in order to venture into the “black” market. Companies such as Edgars, Woolworths, Pick & Pay, Foschini, Morkels and McCarthy Retail have ventured into this market with mixed success. The “traditional” retailers in these markets, therefore, such as Shoprite/Checkers, Spar, Pep Stores, Ellerines, Lewis Stores, Protea Furnishers and the JD Group have also had to join the “rush” in order to expand and protect market share. Furthermore, a new breed of low-income retail specialists, particularly in the supermarket business, “born and bred in ‘white’ Zululand” (Empangeni, Hluhluwe, Manguzi) and off-spring of the earlier white retail pioneers in Zululand have also rushed in, set new benchmarks and become sought-after anchor tenants for the emerging market shopping centre developers;
- The earlier success has motivated financiers of shopping centres to relax their

“high risk location” criteria usually associated with black areas and thus easy access to loan capital has assisted developers to speed up the development process;

- A dilution of the psychological barriers that separated the different ethnic groups with a knowledge that the political struggle has passed, has created a sense of permanency for those traders who have committed themselves to an integrated society. Furthermore, integration in the rural areas seems to be more of a “natural” and acceptable inevitability and rural people of all ethnic groups share the same struggle for economic prosperity.
- Growth in the minibus and “bakkie” (pick-up van) taxi industry and the formalization of taxi associations has on the one hand improved mobility for rural people and on the other has assisted developers to join forces with taxi associations and local authorities, thus establishing “taxi city” developments;
- Developers have recognised the need and requirement to negotiate with all political and community structures and to show the necessary respect and follow traditional procedures in order to involve all stakeholders. This new attitude has broken the barriers of mistrust and hastened delivery of projects.

Shopping centre developments after 1994 in rural areas and townships have taken on various formats. The following are of importance:

#### 5.4.1 Redevelopments

The major projects included the redevelopment of KwaMashu Shopping Centre in 1994, which was mainly a cosmetic exercise which proved sufficiently successful to warrant a small extension of 300 m<sup>2</sup> as a phase two of the redevelopment. Madadeni Shopping Centre was redeveloped and extended by 3 500 m<sup>2</sup>, taking total lettable area up to 9 150 m<sup>2</sup> in 1996. A taxi rank, small shops and hawker stalls were also added. Umlazi Shopping Centre was downsized by 2 200 m<sup>2</sup> with the redevelopment in 1998. These redevelopments were necessitated by the age (14 to 18 years old) of the centres (the centres will be discussed in more detail as case-studies later in the chapter). In general

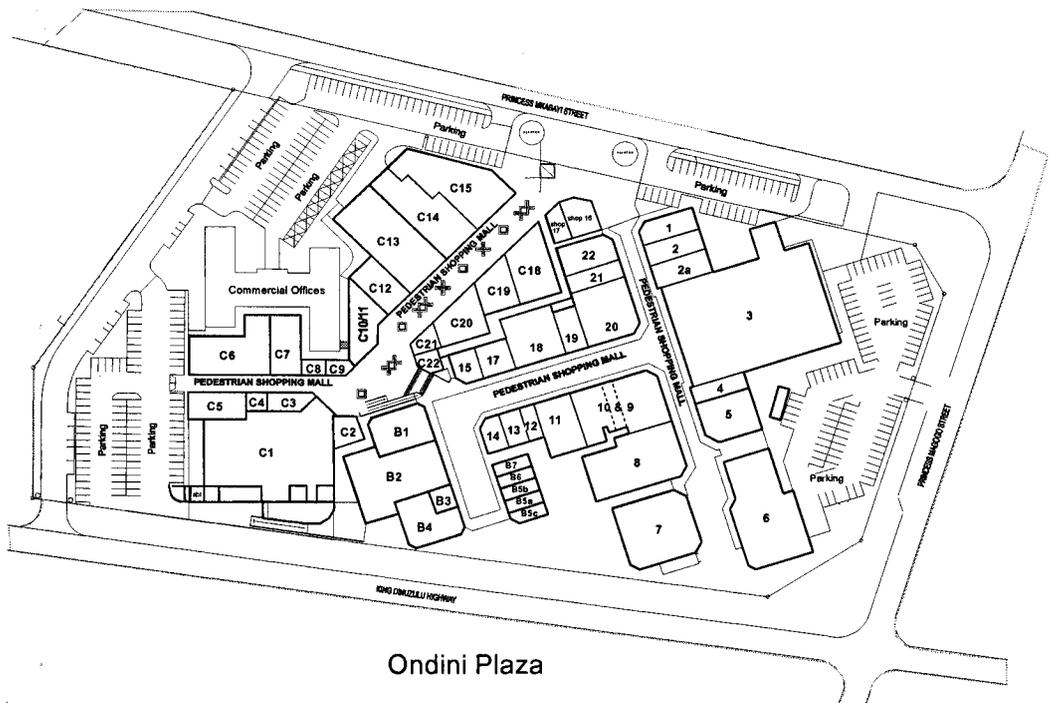
the redevelopments revived interest in the centres and trading improved by between 10 percent and 20 percent after the redevelopments. By comparison, however, rental levels and turnovers are not as good as that experienced in rural towns. From a long term perspective, the redevelopment of the township centres have pointed to downsizing rather than expansion as a future potential strategy as well as the need to incorporate some form of subsidization (lower rates and rentals) for the centres to be financially viable. The poor performance of the township centres cannot always be ascribed to issues such as poor location, visibility, accessibility, or a lack of national tenants or poor design and aesthetics. One particular centre, Ithala Centre KwaMashu, exerts all the features associated with a successful location, by being in a central location, on the main road (Malandela) and next to the main taxi rank and railway station. It contains national/regional tenants (including Shoprite, Pep Stores, S.A Post Office, Bee Gee, Savells, Price and Pride, First National Bank, Standard Bank ATM's, Ithala Bank, Telkom, Pie City and a number of other smaller local traders), within an open plan and aesthetically pleasing design, yet the centre does not achieve rentals levels (and turnovers) comparable with other successful centres in middle to high income areas.

Redevelopments in rural towns included Empangeni Rail - established 1979, lettable area of 8 200 m<sup>2</sup>, upgraded 1999 and expanded by 1 500 m<sup>2</sup> in 2 001. An expansion of approximately 7 000 m<sup>2</sup> was planned for Empangeni Rail in 1998, but demand for retail space declined since 1998 due to the relative poor performance of retailers (locally and nationally). Existing retail area in Empangeni CBD also came onto the market in 1999 with the take-over of the OK Centre by Shoprite/Checkers - who downsized and subdivided the OK supermarket premises (a strategy followed at a number of places, including Ithala Centre: KwaMashu).

#### 5.4.2 Extensions and transformations

The very successful centres developed in the late 1980's, where possible, were extended and included Mtubatuba Taxi City - from approximately 11 100 m<sup>2</sup> to 13 450 m<sup>2</sup>, Ondini Plaza (Ulundi) by 6 000 m<sup>2</sup>, new total lettable area of 17 000 m<sup>2</sup> (figure 5.3). The

extension added a second supermarket, thus making it the first “double anchored” shopping centre in a rural town in KwaZulu-Natal. The tenant mix comprises 80 percent



Ondini Plaza

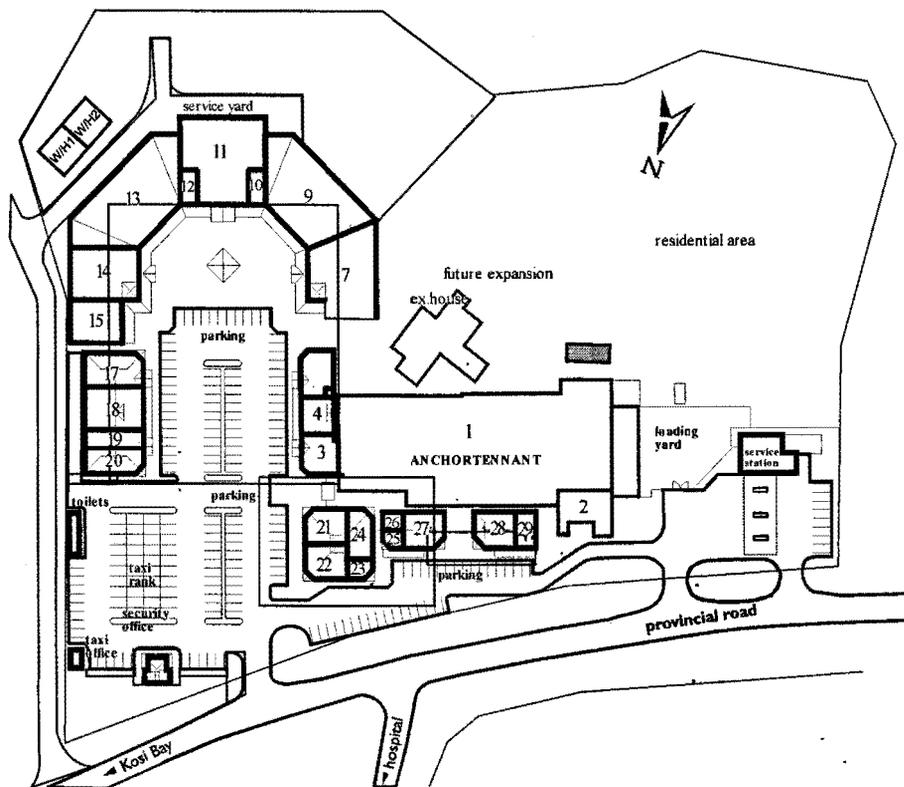
Figure 5.3: Ondini Plaza, Ulundi. A very successful shopping centre with double anchors (Shoprite at 3 200 m<sup>2</sup> and Boxer Cash & Carry at 1 500m<sup>2</sup>). Phase one, shops 1 to 22, was established in 1986. Shops B1 to B7 were added in 1989 and shops C1 to C22 in 1997. The total lettable retail area is approximately 15 000 m<sup>2</sup>. An office block of 2 000 m<sup>2</sup> has been part of the complex since 1986.

national enterprises - critical part of the centre’s success. The success of the two centres can also be ascribed to being “at the right place” (central location in CBD next to a rank) and having anchor tenants with proven track records in rural areas (Boxer, Shoprite) as well as substantial, relatively well employed and economically active trade area populations.

The taxi rank development in Estcourt (figure 5.2) was performing below the developers’ expectations with substantial vacancies and tenant turnover which sparked a drop in rental levels. A prime piece of vacant land in the centre of town and part of the property that was “kept in reserve” for expansion was still available. The centre was subsequently extended by 3 500 m<sup>2</sup> in order to add, inter alia, Shoprite as a supermarket anchor tenant in 1998. Total lettable area increased to 9 700 m<sup>2</sup>. Trading improved at the centre after the extension, pointing to the importance of also incorporating a supermarket anchor

tenant in a taxi rank development.

Transformations refer to freestanding supermarkets that were incorporated into an extensions exercise creating a modern shopping centre. Such projects were undertaken at Manguzi, and Ingwavuma, where a freestanding supermarket (Boxer Supertrade), dating back to 1918 when the first general dealer store was run by pioneering traders and gradually expanded over the years, was transformed into an open plan shopping centre. The original building is hardly discernible within the new development (figure 5.4).



**MANGUZI**  
 Figure 5.4: Ithala Centre, Manguzi - transformed one of the oldest freestanding supermarket operations (shop 1 and 2) in Maputaland into a modern shopping complex in 1997. Shop no. 2 is the original "permanent general dealer" building, dating back to the 1930's, and structurally preserved in the complex.

#### 5.4.3 Neighbourhood-type centres

The traditional type of neighbourhood centres has been constructed in large and small towns with the aim to capitalize on market segmentation. These centres are on the main route and just outside the main CBD and rely on customers with private vehicles - thus the higher income earners. They vary between 5 000 m<sup>2</sup> and 10 000 m<sup>2</sup> and are typically anchored by Pick & Pay Family Store or Spar. Centres were constructed at Dundee, Port Shepstone, Empangeni, Eshowe and Scottburgh. The centres at Port Shepstone and Empangeni seems to be the most successful. The reasons for the apparent failure or lower than expected performance of the other three centres is related to the limited number of middle and high income earners in small towns as well as having locations that are divorced from the CBD, thus losing out on aspirational shoppers in the lower income groups (beyond walking distance). Furthermore, the successful one's are located on main entrance roads relatively close to the historic CBD of large towns (where critical mass exist).

#### 5.4.4 Local convenience centres

Convenience centres were constructed in two townships near Durban, namely Umlazi and KwaDabeka. They are located at the entrance to the townships and are not particularly successful. Their poor performance is ascribed to a lack of "retail definition" and are mainly occupied by service-type tenants such a banks, post office and doctors. The food component of these centres are of poor quality and can be defined as cafe/superette-types.

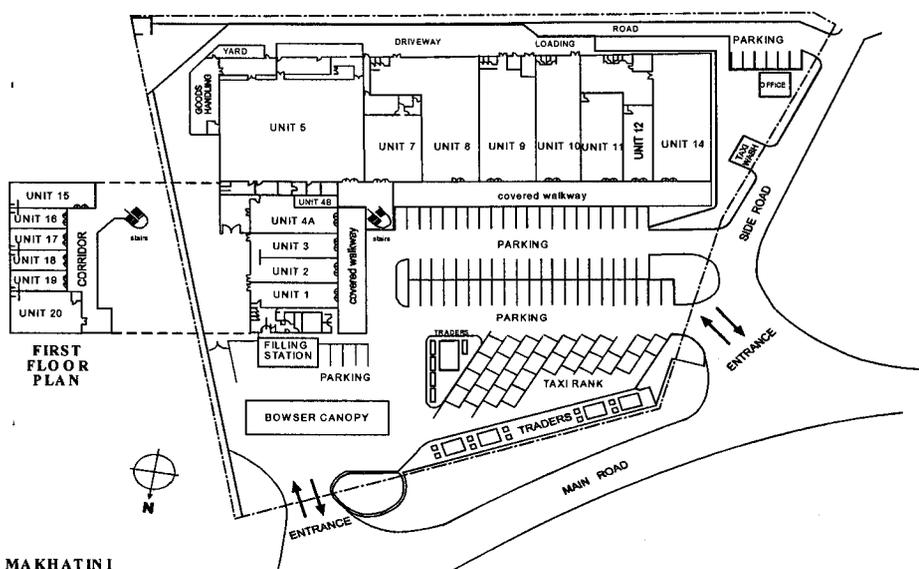
#### 5.4.5 Taxi rank developments

The concept of a taxi rank has already been discussed. The typical "taxi-city" centre size varies from 4 000 m<sup>2</sup> to 8 000 m<sup>2</sup>. Centres with taxi ranks were developed at Richards Bay, Dundee, Vryheid, Jozini, Tugela Ferry, Harding (**discussed in detail in chapter 10**), Highflats, Empangeni CBD, Matatiele and Umzimkulu. The Richards Bay development was not as successful as anticipated by the developer and the "classical"

mistake of sizing (overprovision) or incorrect assumptions of the extent of the trade area were made. High land cost (lease from municipality) and high average rentals, have created cash flow problems for the owner. The centre is on a slow recovery path which includes lower rental levels, lower land rent and a new managing agent. The problems in the Richards Bay development stems from limited patronage from Esikhaweni township people, who prefer to shop in Empangeni (see research results chapter 7). The centre is well located in the CBD, has a pleasant design and incorporates good facilities for taxi's and hawkers.

#### 5.4.6 Rural towns centres

Not all rural towns required a major taxi rank, thus a number of neighbourhood-type centres were constructed in the rural towns, which are without exception dominated by black shoppers from the rural hinterland. Average sizes for the centres vary between 2 000 m<sup>2</sup> and 8 000 m<sup>2</sup>. Towns benefiting from such centres are Kokstad, Eshowe, Ulundi, Nqutu, Nongoma, Ladysmith, Jozini (figure 5.5), Mkuze, Hibberdene and Port



MAKHATHINI

Figure 5.5: Ithala Centre, Makhathini, Jozini. Opened March 2000. The total lettable area of 4 800 m<sup>2</sup> provides mostly for national/regional retailers (units 5 to 14). The anchor tenant is Boxer Supertrade (1 100 m<sup>2</sup>). The other national traders are Diskom, Morkels, Protea Furniture, Ellerines, Barnetts and Africa Bank. A first floor (units 16 to 20) has been added to capitalize on main road visibility. Note the separation in entrances to the parking area for taxis and public vehicles. The filling station has been in operation on the site for years and greatly enhances the financial viability of the scheme.

Shepstone. The general perception associated with these centres is that they have been successful.

Their success are ascribed to central locations in the historic “CBD” /trading strip and/or being on the main road in close proximity to other successful centres. These centres also capitalize on visibility, accessibility (walking distance from rank), aesthetics, new parking lots and incorporating at least 60 percent national/regional tenants.

#### 5.4.7 Pioneering centres

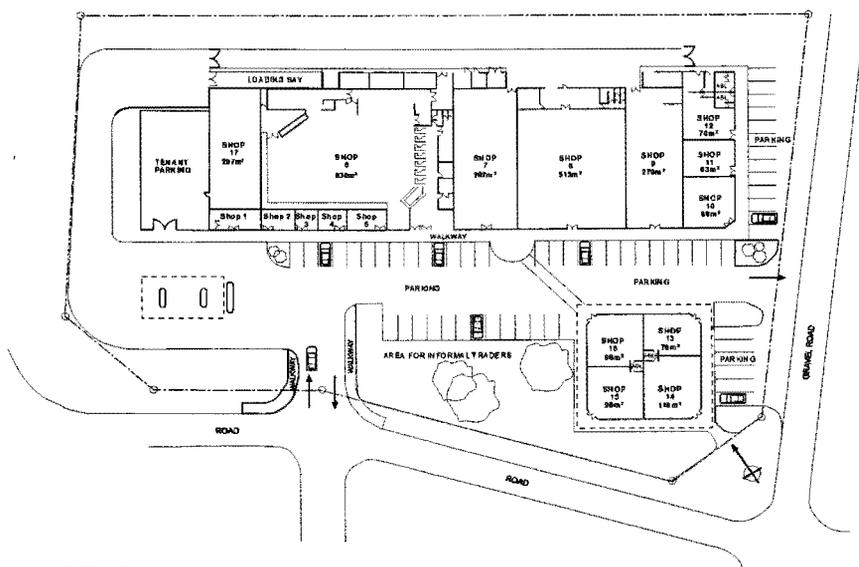
Two centres were constructed in remote “virgin” rural territory, namely Izingolweni and Eston. Both centres serve a rurally dispersed population and are relatively well located on major roads. Both are financial failures and may be considered premature. The reasons for the failures are mixed. In the case of Izingolweni (between Port Shepstone and Harding) the centre of 7 611 m<sup>2</sup> is designed as a mall but structural and aesthetic finishes are of a low building standard. The centre does not project a modern image. The centre could probably perform better financially if it were substantially smaller (half the current size) and had an open plan design where shopfronts could be visible from the nearby national main road.

The 1996 trade area population for Izingolweni is approximately 49 000 and the current (2001) retail buying power estimate is R82 million (application of Buying Power Model - chapter 8). To be successful at 7 600 m<sup>2</sup>, the centre needs to capture 80 percent of the retail buying power (all goods) in the trade area. That is highly improbable due to the relative close proximity (25 km) to Harding and Port Shepstone with good competitive retail facilities as well as other local freestanding shops. A market share of 40 percent would have been more realistic and would have pointed to a centre half the current size.

A comparative assessment with a successful pioneering centre, Ithala Centre: Mbazwana, of 2 800 m<sup>2</sup> (could possibly support another 1 000 m<sup>2</sup>) and a trade area population of approximately 42 000 (1996), also substantiates the “size problem” of

Izingolweni Shopping Centre. The centre is presently for sale and renders an average rental income of R14 per square metre per month (approximately 35 percent of what needs to be achieved for new developments in rural areas in 2001 to be financially viable).

In the case of the Eston Centre (2 200 m<sup>2</sup>), which is presently 80 percent vacant, the failure stems from a supermarket tenant (private individual) withdrawing from the project shortly before completion of construction work (breaching the letting agreement). The centre thus opened without an anchor tenant and the ensuing legal action, as well as failure to find a suitable replacement tenant, has worsened the situation. Although the centre has a good main-road-intersection location and is in close proximity of a newly constructed sugar mill, the expected housing development that would house milling staff did not materialize. The vacant shops and perception of failure also create psychological resistance from prospective tenants. It will thus take time for additional infrastructure (such as housing, a school and clinic) to be developed and for confidence to be restored in the shopping centre.



MBAZWANA

Figure 5.6. Ithala Centre: Mabazwana (2 800 m<sup>2</sup>) opened December 2000. Small in size but big in development impact. Anchor tenant: Boxer Supertrade (830 m<sup>2</sup>). Line shops include : Pep Stores (297m<sup>2</sup>), Protea Furnishers (513 m<sup>2</sup>). Note the design of shop 17 which is a store room for Protea Furnishers but will ultimately, be included in the supermarket when the need to expand arises.

The performance of these two centres places a question mark on the ability of a shopping centre to stimulate growth or to assist in the establishment of a rural village (one of the RDP's objectives in remote areas). Pioneering retailing in remote rural areas seems best to commence on a very small scale - freestanding shop, evolving into a shopping district. It is therefore worth noting that the research has shown that in these areas a shopping centre will only follow once a successful trading pattern has been established. Such is the case with Ithala Centre Mbazwana, opened December 2000 (figure 5.6). Although the centre is only 2 800 square metres in total lettable area, it is transforming "bush trading" conditions into something modern that improved retail facilities for the village, and address the aspirations of the local community - visible signs of progress. The centre has been successful on two accounts, firstly the traders reported above average turnovers compared to their expectations and other operations in their respective portfolio's and the pre-empted expansion of the supermarket into the storeroom (figure 5.6, shop 17) has been implemented within the first year of trading, and secondly, the centre is fully let at the desired rental rates and returns with demand from at least two national tenants for space - an envious position to be in for any shopping centre developer. The success of the centre, over and above limited competition in the village, is ascribed to a number of factors, namely:

- the historic trading integrity of the site was maintained for as long as possible during construction;
- applying superior research models - the centre size (relative small) was calculated with the models explained in chapters 8 and 9;
- the quality of the anchor tenant (Boxer Supertrade) and its long term historic association with Maputaland; and
- an open plan design, taking cognisance of new road infrastructure and sight lines.

## 5.5 Future prospects

A slowdown in rural shopping centre development have been experienced since 1998 and is attributed to:

- An unprecedented rise in interest rates in 1998 which severely strained the cash

flows of the newly constructed centres;

- Reluctance of financial institutions to continue exposure in property investments;
- Retailers in the clothing industry experienced a major decline in sales and opted to downsize;
- Traders in furniture and household goods who extended credit experienced problems with debt collection and thus ceased their expansion drive;
- Possible over provision of retail space in some rural towns - due to the fast growth in developments - had a downward pressure on rental levels, with the result that developers have taken a more cautionary approach;
- Violent crime - robberies, highjackings - reaching unprecedented levels in rural areas has created an impression of a high insecurity factor;
- General state of the economy slows national growth and GDP levels show limited prospects for future growth;
- Increase in unemployment moves more people into the informal sector - thus more competition with formal business;
- Concern over the impact of AIDS on the future buying power in rural areas.

Notwithstanding the above concerns, prospects still exist in villages with no modern facilities such as Nkandla, Hlabisa, Mahlabathini and Underberg. A number of places are also without proper taxi ranks or rank developments such as Port Shepstone, Newcastle, Eshowe, Umzinto, Ixopo, Richmond, Ladysmith, Hluhluwe, Greytown, Kranskop, Cato Ridge and Gingindlovu.

There is, however, a perception, that townships are untapped markets. Unlocking the potential of the townships is perhaps the biggest challenge that has to date faced shopping centre developers in South Africa. It would be pertinent at this point to explore the Ulundi, KwaMashu and Madadeni experiences to date. The objectives with the case studies are:

- to comprehend and document the experiences with shopping centre development in townships in KwaZulu-Natal;
- to address the possible misinterpretation of demographic information and

shopping behaviour; and

- to place a historic perspective on township development potential.

## 5.6 Case studies - Umlazi, KwaMashu and Madadeni

The development of the above three shopping centres was planned simultaneously by the Corporation for Economic Development (CED) in 1978. Madadeni Shopping Centre at the time was a retail warehouse of 5 600 m<sup>2</sup> (developed 1978) that was constructed for Checkers, consisting of a retail and wholesale section. This arrangement was not performing according to expectations and a strategy to establish a shopping centre either through subdivision or addition was planned. The research findings (Old Mutual Property Division, 1978) that preceded the establishments will firstly be addressed, followed by the actual performance of the centres and follow-up research, and thereafter finally the redevelopment strategies employed by the developers and current performances of the centres.

### 5.6.1 Pre-establishment research

The research addressed demographic issues such as population, occupations, income levels, employment and workplace and also described the characteristics of the Bantu (black) consumer in the township, expenditure patterns and lifestyle. Retailers were consulted on their views of the potential for trading and a successful shopping centre in Swaziland, Swazi Plaza in Mbabane, was visited and used as a point of reference. All of the above was done with the aim to calculate the “potential demand” which is the expected combined turnovers of tenants in the new centres. The researchers struggled with estimating the trade areas, population size, income levels (to a lesser degree) and above all, spatial distribution of buying power between existing township retailers and the nearby CBD’s of Durban and Newcastle. The same issues developers are still struggling with today. It is important to note that the CED officials relied more on in-house research and daily township experience, whilst Old Mutual’s Property Division relied more on information from the Bureau of Market Research and their experience

with “white” shopping centres. As there were no similar types of developments in existence in South Africa at the time it is assumed that this must have been an extremely difficult exercise and some untested assumptions would have had to be made.

Some of the major conclusions on the demographic data and the shopping patterns from the Old Mutual (1978) report were:

- The average growth in township population was 7,2 percent per annum, whilst the natural growth rate was 2,8 percent (this highlighted the high rural-urban migration);
- Increase in income was “above average” but it was “difficult to image” that the same growth would continue into the future;
- 81 percent of the Gross National Income for the province was earned outside the boundaries of KwaZulu (homeland) - thus in “white” Natal;
- Unemployment was rising and possibilities to accelerate employment creation to cope with the natural increase in population were unlikely;
- There was an abundance of small shops in the townships supplying food and groceries;
- Major shopping was done outside the township at the nearest CBD;
- There was high dependency of township people on public transport;
- Shopping time in the township was not conducive to shopping at “normal” working hours. Workers left the township very early in the morning, returned late and faced a possible security risk shopping in “the dark”;
- Due to the limited income of the majority in the townships, low income earners would be more selective and cautious when shopping and would rely on “personal contact” with the Seller;
- A shopping trip into town was also a social event - an “outing”;
- There was a difference in expenditure between single and multiple households. (a fact that needs to be taken into account when assessing townships with large hostel complexes);
- Local retailers were concerned that the planned centres would bring “big” (white) business to town and place them at a competitive disadvantage;

- The discussion with retailers indicated that they had not undertaken any research on the subject, but perceived the rapid income and population growth of Black people as a potential business opportunity, therefore “their motive was based on economics rather than moral or political considerations”.

The critical variables used by CED and Old Mutual Properties Division are highlighted in the following tables:

Table 5.2: Umlazi Shopping Centre assessment, 1978

Umlazi trade area	CED assessment	Old Mutual assessment
Population 1978	300 000	242 000
Income 1978	R88 million	R71.1 million
Purchase power outflow	86%	71.1%
Sales to be diverted to new centre	R64.4 million (73% market share)	R25.5 million (36% market share)

Table 5.3: KwaMashu Shopping Centre assessment, 1978

KwaMashu trade area	CED assessment	Old Mutual assessment
Population 1978	200 000	216 000
Income 1978	R59 million	R73.3 million
Purchase power outflow	86%	60%
Sales to be diverted to new centre	R43.1 million (73% market share)	R21.8 million (28 % market share)

Table 5.4: Madadeni Shopping Centre assessment, 1978

Madadeni trade area	CED assessment	Old Mutual assessment
Population 1978	200 000	130 608
Income 1978	R59 million	R40.7 million
Purchase power outflow	86%	60%
Sales to be diverted to new centre	R43.1 million (73% market share)	R9.4 million (23 % market share)

Source: Old Mutual Properties, 1978

Although the methodology was the same, there was a considerable difference between the assumptions made, with Old Mutual being substantially more conservative than CED.

Old Mutual went further in the assessment and expressed concern over the projected development costs, which, when calculating the rentals and turnovers needed to achieve a return on investment (ROI) of 13 percent, would require above average turnovers for all shops. Old Mutual recommended a substantial downsizing, (including building standards) in the proposed Umlazi and KwaMashu projects and believed the Madadeni project would not be viable.

Of significance, and with reference to the population estimates of tables 5.2 to 5.4, is the uncertainties that exist with regard to population numbers and growth in the townships (table 5.5).

Table 5.5: Population estimates, Umlazi

Institution	Population numbers				
	1991	1995	1996	1997	2000
StatsSA (Census 91)	299 145				
Urban Strategy*	299 000	269 000			
Eskom*		336 837			
HSRC (Census 96)			285 000		
Urban Studies*			285 000		322 000
DRA-Development*				300 000	

\*Source: Mark II Projects, 2001

Census data for 1991 and 1996 indicates negative population growth rate in Umlazi. If the 1996 census estimate is compared with the 1978 estimates by the CED and Old Mutual (table 5.2) then it is either negative (0.2 percent per annum) or a very low positive growth ( 1 percent per annum ). There is thus a distinct possibility that the population numbers in Umlazi have remained more or less static over the last 20 years (the 1996 estimate is supported herewith). New housing developments in Umlazi have been negligible since 1996, and whilst infrastructure and development applications may exist, the actual physical execution has not happened. New housing developments since 1992 addressed a historic backlog and substituted shack-type dwellings with new formal houses. The process of housing substitution is still ongoing in an attempt to clear squatter

camps in and around Durban. It is also possible that negative population growth exists as a result of upward mobility of blacks leaving the townships and establishing in higher income (former white) suburbs.

The impact of HIV/Aids could be another force that will contribute to negative growth rate in the townships. There is thus indications that townships such as Umlazi, KwaMashu and Madadeni are not experiencing any significant increase in population numbers and that negative growth is the most likely outcome in the future. The future of shopping centre development in these townships would depend on an increase in wealth (disposable income) of households, rather than population numbers.

#### 5.6.2 Establishment and trading - the growth and maturity phase

A review of the Old Mutual research prompted the CED to downsize the proposal from 15 297 m<sup>2</sup> to 10 400 m<sup>2</sup> for Umlazi; from 16 685 m<sup>2</sup> to 9 400 m<sup>2</sup> for Kwa Mashu, and from 12 705 m<sup>2</sup> to 5 600 m<sup>2</sup> for Madadeni. The CED also realised that in order to attract the seasoned “white” national retail chains to establish in the centres, some form of incentive would have to be offered. Two substantial incentives were offered, namely, rental levels were pitched well below market rates and through the tripartite companies the CED would share in 50 percent of the losses or profits. This arrangement minimized the risk for national retail chains and thus Umlazi Shopping Centre opened in 1979 (figure 5.7) with Checkers (5 000 m<sup>2</sup>) as anchor tenant and national line shops such as Pep Stores, Bee Gee, Frasers, Select-a-Shoe, Bergers, CNA, Standard Bank and First National Bank. The centre is located in the geographical centre (proposed CBD) of Umlazi township and close to the main traffic artery (Mangusutu Highway) which bisects the township. Due to adverse topographical conditions, however, the centre does not enjoy good visibility from the southern part of the township and the main road, whilst visibility from the north is excellent. There is no major taxi rank or public transportation node at the centre. A periodic hawker market coincides with pension payouts three days a week, from two neighbouring government office buildings.



Figure 5.7: Umlazi Shopping Centre, the first fully enclosed airconditioned shopping centre in a township in KwaZulu-Natal, (previously commonly known as “Umlazi Checkers” centre), photographed in 1999. The large flat roof square is where Checkers established a 5 000 m<sup>2</sup> supermarket in 1979 - which proved too big. The current supermarket is 1 600 m<sup>2</sup>.

The opening event, according to Izak van Rooijen, the CED manager intimately involved with the centre since inception, was well publicised, but very few shoppers arrived on the opening morning, although the numbers did improve towards the afternoon. One possible explanation for this situation, offered by Van Rooijen, was that the concept of an enclosed shopping mall, where the shops are not visible from the outside, was foreign to the township people and could have contributed to initial psychological resistance. However, as the nature and function of the centre became known through word of mouth, trading picked up substantially and the centre traded within conservative expectations. Generally the shops proved to be too big and the required trade densities to make for profitable ventures, were never achieved. The traders and developers therefore overestimated the market potential or achievable capture rates. Thus a slow and gradual decline and loss of tenants culminated in the eventual withdrawal of the anchor tenant, Checkers, in 1992, after a fire had gutted the supermarket. The efforts to find a replacement anchor tenant took 5 years, but surprisingly, some line shops and services such as the banks and life insurance companies did remain operational during this period.

The centre's revitalization strategy (effected 1998) will be discussed in the next section.

In order to come to grips with the poor performance of their store, the anchor tenant - Checkers - commissioned a research project undertaken by Markinor (1981). The research established that Umlazi, Durban CBD and Isipingo ("Indian area" neighbouring Umlazi) were the preferred places of shopping with Umlazi first, then followed by Isipingo and then Durban. It showed that Checkers Umlazi captured only 9 percent of all shopping events and that the store was considered to be expensive. The Durban CBD was rated for its convenience related to workplaces and the Isipingo area for its low prices. Checkers and the landlord introduced a free roving bus service for local residents (to transport those outside walking distance) to the centre, but that also did not improve the turnovers dramatically. The report concluded that the poor performance of Checkers Umlazi was not because of a lack of buying power in the catchment area, but a failure to break or intervene with existing shopping habits, patterns and loyalties to local traders in Umlazi.

The research conducted for this study (chapter 7) and by Prinsloo (2000) confirmed that the above historic spatial buying pattern still exists. The image of an "expensive supermarket" is still embedded notwithstanding the fact that the new supermarket is another group (Spar). The 9 percent market share index is also the first indication of what a shopping centre developer can expect to achieve in a township. The redevelopment in 1998 was based on a 10 percent market share.

The lessons learned (**smaller size, open plan**) at Umlazi were immediately applied to KwaMashu Shopping Centre (figure 5.8), and the developers changed the design to an open plan centre. Tenant interest also waned, which necessitated a downsizing. The centre was anchored by a 5 000 m<sup>2</sup> OK Bazaars (later converted to Shoprite). Line shops included a fair number of national tenants such as Pep Stores, BeeGee, Frasers, Savells and Standard and First National Bank. A host of small shops for local business people were also included. By comparison, the centre traded better than Umlazi, which Van Rooijen ascribes to a better relative location (on the main road next to the bus and taxi



Figure 5.8: KwaMashu Shopping Centre (9 400 m<sup>2</sup>), photographed 1990. Note the “garden” in a prime location and fencing on front perimeter. Public transportation (bus and taxi) is noticeable with the metro station to the left of the photograph.

rank and railway station) and an open plan design. However, the centre has been plagued by crime and violence related to the political struggle, and has been heavily fenced since its inception. The centre was revitalized in 1994.

Madadeni Shopping Centre (figure 5.9) did not have the same standard and size as the other two and was created by doing internal partitioning of a warehouse structure. The end product thus looked like a very large rectangular warehouse from the outside and inside was an airconditioned shopping mall with two passages leading to the supermarket. One of the passages was lined with “roller shutter” micro shops rented to local traders who were running substandard informal-type outlets. The “main” passage had tenants such as Pep Stores, Standard Bank and First National Bank, Ithala Bank, Select-a-Shoe, Eskom, Frasers (furniture) and a liquor store. On the mezzanine level a number of small offices were created for services such as medical, legal and auditing firms. The centre was anchored by a 2 800 m<sup>2</sup> Checkers supermarket. Ethnic-type graphics and glazed tiles in dark and light brown shades made up the interior aesthetics - a trend of the early eighties of which the OK Bazaars-developments were probably the biggest exponent in South Africa. A side door leading into the “secondary” passage became the “de facto” main entrance (see food paths on figure 5.9 leading up the long



Figure 5. 9. Madadeni Shopping Centre (near Newcastle), photographed in 1990. The “warehouse” structure of 5 600 m<sup>2</sup> is clearly discernable. Opening a “Checkers Warehouse” proved to be too big. The supermarket was reduced to half the size and the balance of the area was converted into line shops.

edge of the rectangle) and, as so often happens with a dual passage system, led to the demise of the intended main passage. The centre did not perform as badly as might have been feared and predicted by the Old Mutual study and the original anchor tenant is still in operation. Rental levels, however, are still far below that of the CBD of the nearby “white” town of Newcastle, where the majority of shopping still takes place. The general appearance of the centre became an embarrassment in later years for the owners - the KwaZulu Finance and Investment Corporation Limited - as it did not adhere to the principle of maintaining a standard equal to “white” areas and as a consequence the centre was extended and revitalized in 1995.

### 5.6.3 Redevelopment and renovation - the renewal phase

In the USA shopping centre analysts believe that if a centre has been operational for ten years it should be considered mature, fifteen years - old and twenty years - ancient (Dawson & Lord, 1985:226). The redevelopment of a shopping centre would depend on

the volume of usage (people through the centre) as well as quality of building material and aesthetics. Centres with substantial outdoor “plaster and paint” seem to age much quicker than centres with a quality face brick. Ondini Plaza for example, is build with a quality face brick and facia, and whilst the centre has been extended on two occasions, the initial phase is still exactly the same after 14 years and a potential revitalization is not planned for in the near future. Planning for the redevelopment/renovation of Umlazi Centre, KwaMashu City and Madadeni Centre commenced in 1993 and the first project was KwaMashu City which commenced in 1994 (centre 14 years old), followed by Madadeni Shopping Centre in 1995 (15 years old) and Umlazi Shopping Centre in 1998 (20 years old). The revitalization of the three centres thus came about as a “natural” progression in the life cycle and not necessarily because the centres were underperforming.

The first of the above three centres to be renovated was KwaMashu City (figure 5.10).



Figure 5.10: KwaMashu City, photographed 2000. The centre was revitalized in 1994. Note the parking lot in the previous garden and the new shape of the facia. KwaMashu station lower left in the photograph.

The strategy was to undertake a “cosmetic” exercise whereby the “dark depressing” appearance was to be replaced with a more colourful, vibrant image and the main facade replaced with a new design. Access was improved by converting a rather large garden in front of the anchor and line shops into a parking lot. Decayed infrastructure such as public toilets and hawker stalls were upgraded. A security tower and manager’s office were added and a “dark alley” leading to micro traders’ shops such as a watchmaker, shoe repair and key maker was converted to outward facing shops. The anchor tenant (OK Bazaars at the time) returned some 800 m<sup>2</sup> lettable area which was converted into line shops as phase two of the renovation programme, which followed the success of phase one when renewed interest and demand exceeded supply. Another significant event - which makes for a good case study - followed the purchase of the OK Bazaars group by Shoprite /Checkers in 1998, four years after the renovations. The anchor tenant was immediately converted to a Shoprite store, and a 50 percent increase in year-on turnover of the supermarket was reported six months later - thus proving the impact of a good trader on performance and capturing market share. However, in spite of these improvements, the average trade densities and rental levels are still substantially below those which are achieved in “white” areas and rural towns.

The Madadeni Centre re-development strategy posed different problems. The results of a shopper survey conducted at the centre in 1995 revealed the obvious need for a bigger and better centre, however, in addition the centre had a “party political” image. This image resulted from the tripartite company established in 1978, which was named Checkers KwaZulu. The words “Checkers KwaZulu” were written on the facade as part of the anchor tenants’ signage. The reference to KwaZulu in particular created the problem and the centre was dubbed an IFP centre (Inkatha Freedom Party - the reigning party governing the KwaZulu homeland during apartheid) and therefore not accessible for ANC supporters - whose party probably enjoyed the majority support in Madadeni township). There had to be dramatic changes to the physical appearance to rid the centre of its “political image”.

It is doubtful whether the developer would have identified the perceived “political image”

associated with the centre without the survey, which thus proves the value of formal structured research. This information was deduced from a substantial number of answers to the question as to what people would like to see as improvements to the centre. The answer was to remove the name “KwaZulu”. The subsequent follow-up research revealed a significant conscious imprint of colour on the psyche of the black population at the time, which was probably at the ultimate high of political awareness, and associating colour (and words) with the politics of the day. Thus blue and white were associated with the National Party (and apartheid), yellow and green was associated with the African National Congress (ANC and current ruling party), and red and black associated with the IFP. Following from these subtle associations, the issue of cultural images also came to the fore, and although there may be historic value in highlighting traditional black culture, the aspirations of the black population are focussed on modernization, westernization and Americanization. Thus, for the shopping centre developer in emerging markets in South Africa, the safest strategy in this regard is to avoid party political and typical historical ethnic images or graphics in the centre design. However, should it be considered desirable to apply ethnic images for whatever reason, these should be infused with a modern setting which is considered to be more desirable.

To transform the image of the Madadeni Centre, it either had to be demolished and rebuilt or alternatively a well-planned extension that “camouflaged” the old centre could achieve the objective. The latter solution was followed and 3 800 m<sup>2</sup> was added to the existing 5 600 m<sup>2</sup> combining an internal mall with an external open plan centre (figure 5.11). Meticulous detail was given to internal and external graphics and decorations to create a “nature image” for the centre. In addition to the main building a taxi rank - at the request of the local taxi association - and additional public parking were added. Security was strengthened by adding a closed circuit television (CCTV) system. A number of outward facing micro shops and hawker stalls were also incorporated. The redeveloped centre was well received and drew much support from local residents and business people. The turnover of the supermarket, Checkers (which was later converted to Shoprite) increased reportedly by approximately eighteen percent year on and regained profitability. The taxi associations, however, did not live up to the agreement of using the

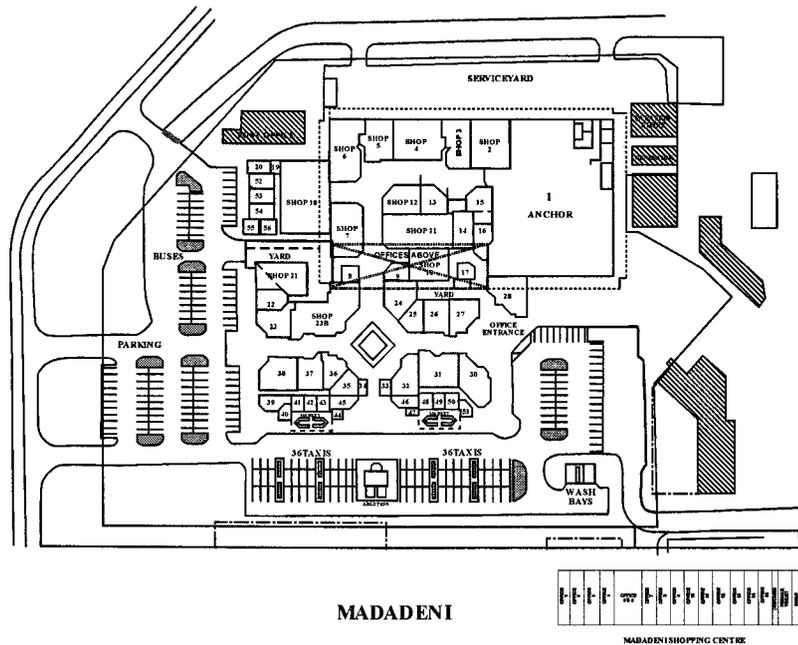


Figure 5.11: Madadeni Shopping Centre floor plan Shops 1 to 17 is located in the original building.

rank at the centre as the central rank for Madadeni and thus the projected impact was not as good as hoped for. It transpired that the envisaged change in operations proved too onerous to implement, thus substantiating earlier remarks (chapter 2) that habitual patterns in emerging markets, involving public transport in particular, is very difficult to change. Madadeni Centre as a whole remains a financial under performer with high vacancies and low average rentals. It's existence cannot be justified along "normal market principles" or alternatively, be compared with property investment returns obtained in the CBD of large and small towns.

The renovation of Umlazi Shopping Centre - which was renamed Ithala Centre:Umlazi - hinged on finding an anchor tenant. It was a time consuming exercise with many promises and prospects falling short of implementation. The opportunity was eventually taken up by Mr L Buthelezi, a local black entrepreneur, who was running a successful Spar supermarket in Nongoma and whose childhood years had been spent in Umlazi. The key to tackling the supermarket problem was first and foremost the issue of size, which inevitably implied estimating turnover. The historical performances of the previous anchor tenant (Checkers at 5 000 m<sup>2</sup>) were taken into account, and when projected at the

rate of inflation, it would give a turnover of approximately R1, 1 million per month in 1998. Given the low market share that the centre had historically achieved, the developer (also landlord) estimated that a ten percent market share of grocery purchase power in Umlazi could be captured if the centre was upgraded - that translated into an average turnover of R1,2 million per month. Based on these calculations - which were derived from an income and expenditure survey of KwaZulu multiple households by Data Research Africa (May, 1992) - a supermarket of 1 200 m<sup>2</sup> lettable area was envisaged. However, due to practical reasons related to the subdivision of the existing supermarket premises, the final size entailed 1 600 m<sup>2</sup>. Some 2 200 m<sup>2</sup> of the old supermarket premises remained unutilized and were blocked off to be used as a potential storage facility. The centre was thus effectively reduced in retail lettable area to approximately 8 000 m<sup>2</sup>. The balance of the redevelopment programme included a new access road, parking and a total renovation of the interior and exterior image, giving the centre a modern, durable and well-finished appearance that can be compared to the best in its class - including "traditional white areas". The new anchor tenant employed the same strategy and established, at least in appearance, an upmarket Spar. Line shop letting improved and attracted at least two new national retailers back to the centre. Although rentals can still be considered far below "market related" the supermarket has achieved the projected budget and remains profitable.

The re-launch, however, was not without problems as the local unemployment forum demonstrated against the employment criteria used by the supermarket owner - they demanded that the previous supermarket (Checkers) employees be given first preference - which shows that "labour action" is "colour blind" when it comes to business. The disruption was temporary and did not have a noticeable impact on trading at the centre. Crime at the centre, was prior to the renovations, notoriously high. The situation was dramatically improved when a police office was established in the centre and a "high-tech" CCTV system was installed. The Durban Metro Council has also contributed to external improvements by developing an undercover hawker market (linked to the pension payouts as stated before) on a long term lease from the landlord at nominal rental. However, notwithstanding all the attention given to the revitalization of the centre,

its recovery is on a slow path, and as with the case of the other township shopping centres, can not function financially without some form of subsidization (low returns, rate rebates).

## 5.7 Conclusion

The historic overview of shopping centre development in emerging market locations in KwaZulu-Natal spans two decades and has, perhaps surprisingly, rendered significant amounts of material for a study of this nature. An emerging market shopping centre industry exist in KwaZulu-Natal that can be analysed with the aim, not only of making an academic contribution, but of making an even more significant contribution to job creation, entrepreneurial ship and wealth stimulation.

The history of shopping centre development in the lower income areas of KwaZulu-Natal, bears testimony to two very significant issues, namely:

- successes have, almost exclusively, been achieved in rural villages, small towns and large towns by being located in the CBD's, close to the ranking facilities, and that centre sizes have varied according to the market potential i.e. smaller centres lower down the hierarchy of central places; and
- attempts to establish successful centres on the notion of "bigger is better" in black townships, have consistently failed over a period of two decades and there is still no indication on whether success would be achieved in the short term. Shopping centre development in townships does not seem to be compatible with the current condition of townships. If the view is held that shopping centres by "economic nature" are "followers" then it stands to reason that "something else" has to change in the townships before major shopping centre development projects will either be undertaken or be viable. A very strong habitual pattern of "out shopping" has evolved and will only be changed with a fundamental shift in economic well being of township people and quality of the urban environment.

Furthermore, given the fact that the “emerging market shopping centre” resembles in principle that of any shopping centre, the fundamental development knowledge that exists in the “white” industry in South Africa, could be applied to improve product delivery. However, an argument could also be made for peculiarities when dealing with retailing in emerging markets. The lower income levels and hence limited buying power of the emerging markets and uncertain future growth prospects, are justified concerns for developers and traders and need to be investigated and understood to arrive at sensible investment decisions. The second part of the study will thus focus, from an empirical basis, on the critical issues that need analysis as well as the methodology by which they should be analysed as a guide to shopping centre investment decisions in emerging market locations.

## **PART II**

### **CHAPTER 6**

#### **THE STUDY AREA AND RESEARCH METHODOLOGY**

Shopping centre research can be categorized into management and development research. Management research is aimed at improving tenant sales performance and centre management by assessing issues such as centre image, new shopping trends, variations in shopper composition, impact of centre promotions and technical matters (energy efficiency, security systems, maintenance). Development research, however, is the focus of this study. Its primary aim is to assess a shopping centre as a geographical entity both from a functional and an economic point of view.

In essence, therefore, it is argued that the relationship between shopping centre type, location and the population characteristics of the market it serves, contributes significantly to the financial success and development pattern in time and space.

#### **6.1 Research framework**

The research process commenced with formulating a research goal with the aim of solving a particular problem (problem statement). The research program and process applicable to this study are highlighted in figure 6.1. Once the research goal had been formulated, a suitable study area was identified and information sourcing commenced. The demarcation of the study area is linked to market selection (macro-level: province of KwaZulu-Natal), area selection (meso-level: townships, rural areas) and selecting suitable shopping centre samples (micro-level). The point of departure in the research process was to commence with an “as wide as possible” analysis and then to narrow it down to the value drivers impacting on shopping centre development from a developers perspective.

Information sourcing involved primary and secondary data. Primary data for this study is a series of surveys of which the shopper and household surveys are considered the most important. The secondary data is linked to publications on household income and expenditure and obtaining census derived statistics in GIS (geographic information systems) format.

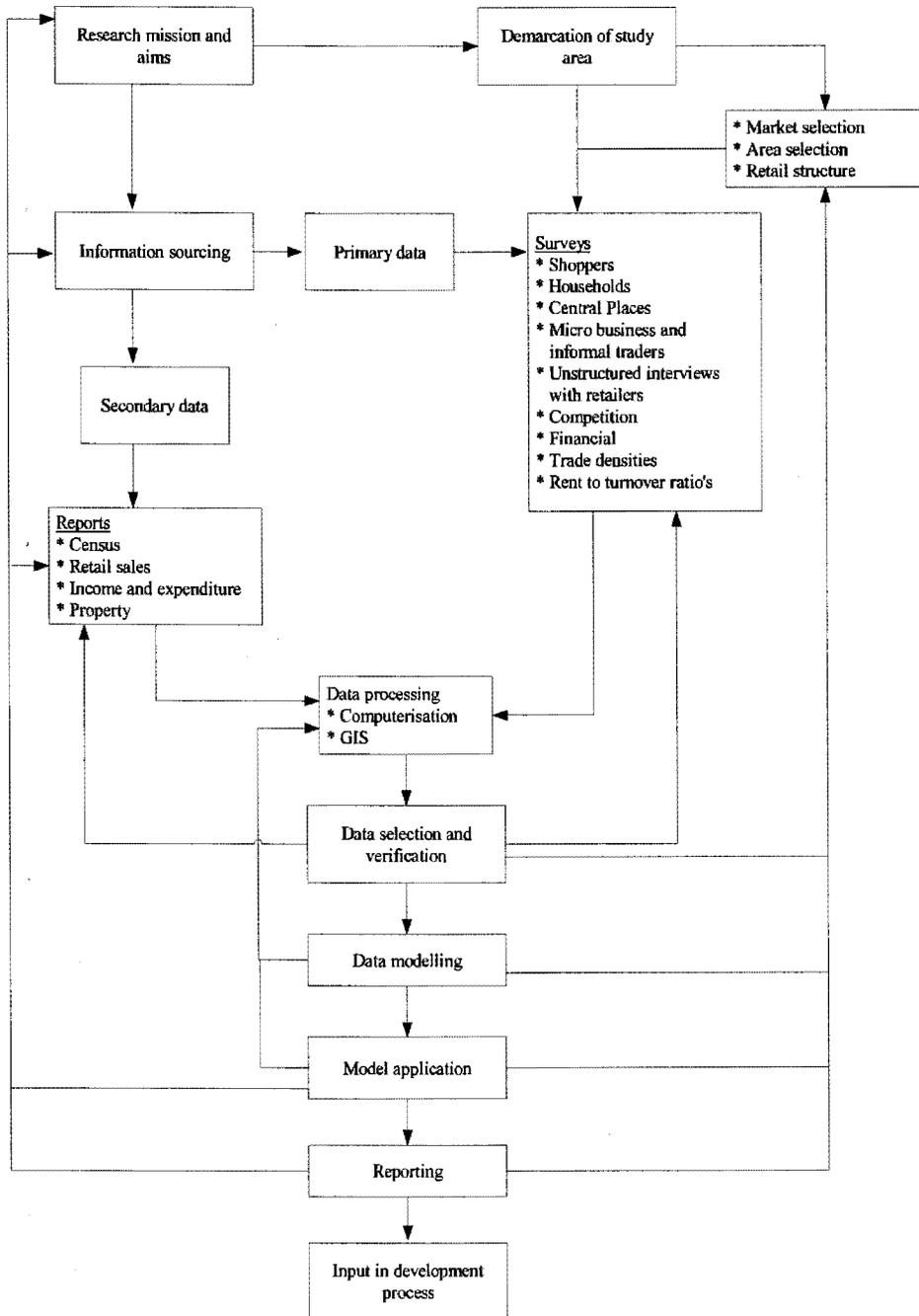


Figure 6.1: The research program and process

Once a suitable set of data had been collected, the information was processed on computer, creating classifications and frequency tables. However, because not all data gathered makes significant contributions, data selection and verification is required. This step in the process has a feedback link which re-appraises the quality of the data gathered. Where necessary, additional information was sourced - until sufficient quality data was available for analysis (for example waiting for the release of census 1996).

In the final steps of the research process, the information is reduced to the essence in a modelling exercise - statistical research model in this case, which was then applied as an assessment guideline for emerging market shopping centre development. The results of the research process are summarised in this report, with the aim of contributing to knowledge as a future secondary source and with the intent (as a feedback mechanism) to stimulate new and further research on the subject.

The research framework for this study is summarized in terms of the following steps:

- Step 1: Formulation of research goal and aims;
- Step 2: Demarcation of study area;
- Step 3: Information sourcing;
- Step 4: Data processing and preliminary findings;
- Step 5: Data selection and verification;
- Step 6: Data modelling;
- Step 7: Model application;
- Step 8: Conclusion and recommendations.

Steps one to three are discussed in this chapter, chapter 7 gives the main results of the empirical surveys (steps 4 and 5). Chapters 8 and 9 deals with steps 6 and 7, and finally Chapter 10 (step 8) discusses the spectrum of development strategies.

## 6.2 Research goal and objectives

### 6.2.1 Background

The research planning commenced in 1995 and set about identifying those data variables that could best serve the formulation of a “universal model” to assist analysis process, firstly on a provincial basis by identifying niche markets and secondly to predict or simulate possible future scenarios related to changes in the market place. However, in the final analysis, and if one entity of information needs to be ranked above all others in the shopping centre development industry, then it is “sales turnover” of the relevant business operations. The origin of sales relates directly to the buying power of the population. In addition the decisions on how, where and what to buy ultimately determine development potential.

The developmental and planning objective is to establish a justified system of commercial centres which is in equilibrium with the needs of the population. A retail system that is in disequilibrium will either be under- or overprovided in retail space. Underprovision of retail space is seen as a monopolistic situation, whilst overprovision is viewed as an unproductive situation.

For the retailers, access to letting space is either construed as an opportunity to penetrate new markets or losing sales to new competitors. However, there seems to be perpetual conflict in the retail space provision system. The advantage that retailers have over property developers is that they can adjust much faster to changing conditions in the short term, provided sufficient retail space is available. However, in terms of a final analysis, retailers and developers are faced with the same strategic question: how much spending power is available and what is the expected probability share of buying power that can be attracted to the centre and the associated shops? With this fundamental problem facing retailers and developers alike, it is therefore appropriate to first and foremost conceptualize a model which can determine buying power of any given market and secondly to apply a market share probability index (the focus of this study applies to

emerging markets in KwaZulu-Natal). The empirical research framework is thus designed to establish, through household surveys, the relationship between income and expenditure and how it can be applied to census-derived information in order to enhance application at the macro and meso level, which in turn can result in the formulation of cost-effective and reliable assessment models.

### 6.2.2 Goal

To determine shopping centre viability threshold levels based on demographic and shopping behaviour characteristics of emerging market patrons.

### 6.2.3 Objectives

- Identify a suitable study area;
- Determine the relationship between income and expenditure for various market segments i.e. rural, urban, predominantly black townships, predominantly Indian townships;
- Determine the strategic financial requirements that will guide shopping centre investment decisions;
- Analyse spatial patterns of shopping behaviour and the resulting impact on the spatial distribution of retail sales;
- Formulate a model whereby the shopping centre viability threshold levels can be determined by integrating demographic characteristics of a trade area with shopping centre development criteria;
- Formulate the key issues to be considered when planning the development of a shopping centre for emerging markets.

### 6.3 Delineation of the study area

The study area is defined as the province of KwaZulu-Natal(KZN), South Africa, as defined in terms of its political boundaries (figure 6.2).

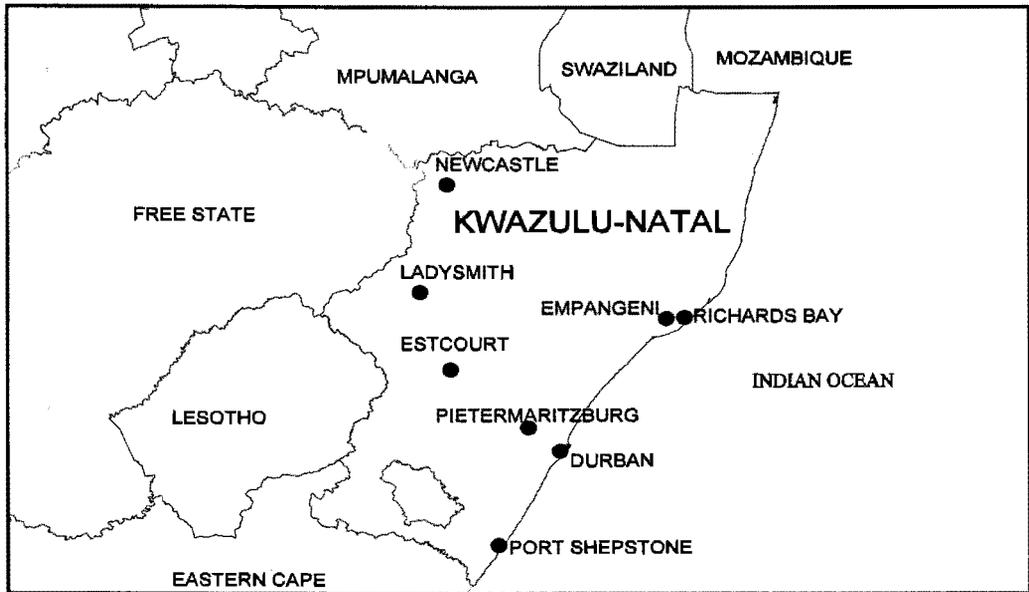


Figure 6.2: The study area: KwaZulu-Natal

There are a number of factors that make KwaZulu-Natal suitable for an emerging market study:

- Physical and international boundaries “isolate” most of KwaZulu-Natal in terms of retail expenditure flows. Cross border shopping is limited and the application of official statistics on census and retail sales is thus manageable if calibration or comparison of data is required.

The eastern boundary of the study area is defined exclusively by the Indian Ocean coastline, whilst the Drakensberg mountain range and the associated border with the independent land-locked country of Lesotho defines most of the western boundary. The northern boundary is defined by the border with Mozambique and Swaziland. The north-western boundary comprises a provincial boundary with Mpumalanga Province. Within this area, however, there is one town (Paulpietersburg), which is influenced by the stronger retail market in the nearby town of Piet Retief, which is in the Mpumalanga Province.

The greatest possible distortion that could negatively affect the interpretation of

official statistics is in the southern part of KwaZulu-Natal, where the towns of Port Edward, Harding, Kokstad and Matatiele draw substantial buying power from the Eastern Cape Province as well as a portion from the independent country of Lesotho. In addition to this, an “apartheid” anomaly comprising portion of the Eastern Cape also exists as an enclave within the south of KwaZulu-Natal surrounding the town of Umzimkulu. Political disputes have not yet resolved this anomaly in the “New South Africa” as such a defined area (enclave) is, from an economic and administrative point of view, illogical. Umzimkulu, however, is excluded from the study as the statistics from secondary sources would include KwaZulu-Natal data.

- The ethnic composition of KwaZulu-Natal is also beneficial for an emerging market study, - focussed on blacks - as the majority of the population comprises ethnic Zulus, accounting for 79,8 percent of the population. The other two prominent groups are Indian/Asian (9,4 percent) and Europeans (6,6 percent).
- KwaZulu-Natal has a history of shopping centre development that has already penetrated most predominantly black areas in the province. These projects have been established by both private investors and the provincial development corporation, namely Ithala Development Finance Corporation Limited. Whilst other development corporations have all but failed in South Africa, Ithala has been a model success story and boasts both national and international recognition.
- A smaller geographic area would negate utilization of national retail statistics in a model building and calibration exercise.

## 6.4 Data sourcing

### 6.4.1 Shopper surveys

The main purpose of conducting shopper surveys for this study was to demarcate

empirical trade areas. A total of 25 surveys in 23 towns were conducted between 1995 and 1999. The results were summarized in a short report for each survey, containing 15 data tables, information on the research programme such as date and time of interviews, selection procedure, weather conditions on the day of the survey, level of shopping activity on the day, political stability, physical appearance of the shopping area and name, age, sex and home address of respondents (Annexure C: Shopper questionnaire). The interviewers were mostly black female students (Zulu-speaking) from the University of Natal, working under direct supervision of a research assistant. All were thoroughly trained by the researcher in survey methodology.

The sampling method was a systematic procedure. The interviewers were located at specific places and remained static at such places, usually close to a taxi rank, shopping centre or on a popular pedestrian path. The objective was to select patrons returning from a shopping destination/experience in a systematic manner, for example, every 5<sup>th</sup> or 6<sup>th</sup> person passing the interviewer *en route* from the CBD to the taxi rank. Maintaining consistent systematic selection proved difficult in practice as the time to complete a questionnaire varied according to the literacy and attitude of the respondents. Thus the frequency of selection depended on the volume of pedestrians passing the interviewer as well as willingness of respondents to participate. In the event of a refusal, the very next person was approached. In general, the co-operation of people on the street was very good and no major adverse conditions, which could have justified the abandonment of a survey, was experienced. However, researchers are best advised to communicate the intended survey with the local authority and relevant taxi association(s) and to obtain “consent”, prior to embarking on a survey in or near a taxi rank.

Weekdays (Monday to Friday) were preferred for the surveys (Saturdays are problematic due to limited trading hours - 07:00 to 13:00. Shoppers are pressed for time hence frequent refusals are experienced). Weather conditions were monitored, and rainy days were avoided where possible. The surveys conducted are summarized in table 6.1.

Table 6.1: Shopper surveys conducted

No	Central place	Date	Weather conditions	Sample size
1	Sundumbili	21 July 1995	Fine and warm	248
2	Highflats	13 November 1995	Fine and warm	220
3	Ixopo	14 November 1995	Fine and warm	214
4	Newcastle	6 February 1996	Fine and warm	155
5	Manguzi	22 February 1996	Fine and warm	200
6	Jozini	23 February 1996	Fine and warm	150
7	Pomeroy	7 March 1996	Fine and warm	100
8	Tugela Ferry	7 March 1996	Fine and warm	100
9	Howick	19 March 1996	Fine and warm	200
10	Empangeni (Rail)	8 February 1996	Fine and warm	200
11	Empangeni (CBD)	2 April 1996	Rain and cool	200
12	Richmond	14 March 1996	Fine and warm	200
13	Eshowe	6 July 1996	Fine and warm	200
14	Mkuze	28 August 1996	Windy and dusty	198
15	Hluhluwe	27 August 1996	Fine and warm	195
16	Mtubatuba	27 August 1996	Fine and warm	200
17	Harding	22 October 1996	Fine and warm	196
18	Bergville	24 July 1997	Clear and cool	200
19	Kokstad	18 February 1998	Fine and warm	200
20	Tugela Ferry	21 May 1998	Fine and warm	198
21	Umzinto	19 March 1998	Cloudy and cold	200
22	Melmoth	23 March 1998	Fine and warm	200
23	Port Shepstone	27 January 1998	Fine and warm	200
24	Gingindlovu	1 December 1998	Fine and warm	200
25	Nkandla	30 March 1999	Fine and warm	198
	TOTAL			4 772

The two surveys for Empangeni were necessary because the town has a dual retail “CBD” some 3 km apart from each other. Two surveys were also conducted in Tugela Ferry, one before the development of a 4 500 m<sup>2</sup> shopping centre (1996) and one 8 months after trading commenced. The “before” and “after” spotter maps were very similar and an adjustment to the 1996 trade area boundary could not be justified, thus the increased retail area did not increase the trade area range - contradictory to conventional

theory on the relationship between centre size and trade area range.

#### 6.4.2 Household surveys

The purpose of the household surveys was to gather primary data on spatial shopping behaviour, income and retail expenditure and the demographic profile at household level, and is consistent with the notion that personal interviews comprise the main method for collecting primary data of this nature in South Africa (Nel et al., 1988:144). As stated before, the area selection process was to gather representative samples for urban and rural populations. It was hypothesized that these markets are, in terms of spending power and behaviour, fundamentally different and should therefore warrant different development strategies.

The sampling method employed was a systematic cluster procedure. Sampling within the townships was limited to the administrative or "logical" boundaries of the townships as a guideline, which were easy to distinguish as the "apartheid" system of spatial segregation "isolated" these townships. Spatial boundaries for the household surveys in rural areas were established only after the shopper surveys for a particular town were concluded, and were therefore linked to the associated trade area. The areas surveyed (strata) focussed on emerging market components, thus the higher income areas within Howick, Empangeni and Harding were excluded from the survey. The latter procedure is known as stratification in sampling methodology and improve precision of estimates by virtue of forming homogeneous strata (Human Science Research Council, 1989 : 123).

The survey area was subdivided into a number of sub-areas of equal size - between 10 and 15 areas - depending on the extent, topography and road network. Three clusters of five households, randomly selected, were targeted in each sub-area. Any person in the household (excluding children), available at the time and acquainted with the "shopping budget", was selected for the interview. The advantage of this method is the speed and ease of control in the field. Feedback was given to the research supervisor by the interviewers immediately after completion of a cluster, and if necessary, corrective action

was taken, thus eliminating the need to return to the area. The process was thus a learning experience in the field for both interviewer and research assistant and ensured that the quality of responses was maintained and even improved during the survey. Other than the practical administrative advantages, the method also ensured a high degree of safety for the interviewers - black female students - which is a very real problem in especially townships. A number of female interviewers were, for example, apparently molested during the 1996 official census enumeration. Fluency in Zulu and English was a prerequisite to qualify as an interviewer, and the role of the researcher, not being fluent in Zulu, was thus to design the sample, conduct training of the interviewers and administer the fieldwork, including transportation of interviewers between sample clusters, in conjunction with the research assistant.

The household survey dates and sample included in this study are summarized in table 6.2 (Annexure D: Household questionnaire).

Table 6.2: Household surveys conducted

Geographic areas	Date of survey	Number of households in strata	Number of households sampled	Average household size per strata, 1996 Census	Average household size of survey
Howick	May 1996	9 043	150	6.3	6.4
Esikhaweni	May 1996	10 606	150	5.7	5.2
Empangeni (rural)	November 1996	6 309	160	7.2	7.0
Umlazi	April 1997	40 270	192	5.2	6.5
Phoenix	June 1997	22 291	195	4.8	3.9
Harding (rural)	May 1998	6 959	160	5.7	5.9
Total		95 478	1 007		

The sample sizes were based on judgement, taking cost and time implications into consideration. A comparison of the average household size obtained for the survey with that of census derived data (Human Sciences Research Council, 1999), as indicated in the last two columns of table 6.2, shows that the greatest deviations are encountered at Umlazi and Phoenix, which have also the highest number households per strata. A larger

sample size would have increased the accuracy, however, the other strata compares well with the census derived average household size. The sample sizes, however, does exceed the guideline of a minimum of 50 to 100 respondents per subgroup (Human Sciences Research Council, 1989 : 130). It is submitted that an adjustment to the results of Umlazi and Phoenix is not required in respect of the critical income/expenditure ratio's sought for this study, as the general trends with respect to income and expenditure is similar to that of the other samples (see chapter 8).

#### 6.4.3 Retail land use surveys

The purpose of the retail land use surveys was to obtain a record of the type and size of commercial functions available in selected towns at a particular point in time. The information was initially considered necessary in order to estimate the size of commercial provision when calculating the need and/or justification of additional retail floor area. The number of surveys (15) were thus conducted on a need-to-know basis for selected case studies. However, the attempt to base the viability of a shopping centre on justifiable per capita floor area ratios was abandoned towards the end of the study in favour of a retail buying power model as described in chapters 8 and 9 and the information gathered on number of business and administration services utilized for central place classifications as highlighted in chapter 3 (part of the verification and selection proses in research - see figure 6.1). The reasons for abandoning the per capita ratio-method are related to:

- the poor results achieved with sizing of centres at Tugela Ferry and Manguzi (see chapter 5);
- averages does not explain the unique characteristics of each trade area (see chapter 2);
- to be of value, per capita ratios have to be adjusted, based on demographic analogues, for each trade area, thus, in the final analysis, it is based on assumptions and "guidelines" that give very little comfort to a shopping centre developer and/or financier who is not acquainted with a method that is, essentially a town planning tool (i.e. City Council of Pretoria still use this

method, however, there is no formal acceptance of “justifiable ratios” in KwaZulu-Natal);

- the per capita-method has been associated with ethnic classifications - a methodology not conducive for transformation in research in South Africa;
- the empirical bases for justifying floor area ratios based on what has already been developed is also questionable. The factors and complexities that justifies the development of a shopping centre exceed that of ratios. Indications of over supply in the retail industry is based on market conditions which constantly varies. Justifiable per capita ratios, in the case of Canberra (Dawson & Lord, 1985: 204), for example, were adjusted (downwards) on a number of occasion in an attempt to explain or simulate market conditions. It is thus pointless to continue with a historic method of which the reliability has proven inadequate; and
- an unambiguous, reliable method has been researched herewith (chapters 8 and 9) and successfully applied in a number of emerging market shopping centre developments by the researcher in KwaZulu-Natal. It is designed to measure the uniqueness of each trade area in respect of purchase power and financial requirements (chapter 9: Integrated Commercial Assessment Model).

#### 6.4.4 Micro business and informal trader surveys

The study of informal trading in the developing world has been a popular subject with geographers (Findlay, Paddison & Dawson, 1990). Informal trading *per se*, however, has a minor role in this study as the interest is merely to establish the probable impact of informal trading on diverting retail sales from formal business. In the same vein, the freestanding (corner-type) shops and Spaza shops are peripheral to the scope of this study, and have been included in the research only with the aim to establish probable market share. Nevertheless, the methodology followed complies with empirical requirements, regardless of the small size of the samples. The interview method was followed by means of structured questionnaires.

Interviews were conducted with 20 informal traders each in five different towns, thus

totalling 100 interviews. An in-depth interview was also conducted with the chairperson of each hawker association (totalling five). The micro business survey was conducted in Umlazi only and included 50 interviews. Shop size and turnover figures were inter alia obtained with this survey. Table 6.3 summarizes the surveys by place and number of interviews.

Table 6.3: Street traders and micro shops survey

Place	Date	Number of interviews
Jozini	24 July 1998	20
Port Shepstone	22 July 1998	20
Harding	21 July 1998	20
Empangeni	23 July 1998	20
Umlazi	17 July 1998	20
Total Street Traders		100
Umlazi, Micro Shops	August 1999	50

#### 6.4.5 Unstructured interviews

A number of national and regional traders and developers were engaged in a business assessment and performance analysis of their experiences in KwaZulu-Natal. The ultimate aim was to obtain trade densities (annual sales/turnover of a shop expressed over its total lettable area - R/m<sup>2</sup>/annum) and rent to turnover margins. Data of this nature was also available to the researcher in respect of formal lease agreements between landlord and tenant which contain turnover clauses. This information will be treated as confidential in so far as the identity of the traders and developers are concerned.

#### 6.4.6 Secondary sources

Secondary sources of data were considered as extremely important for this study as the search for causality and statistical model formulation is an ongoing effort. Interfacing

with sources such as census data, national retail sales and economic indicators is of paramount importance to develop cost effective and accurate assessment models.

The main secondary sources, linked to primary data, for a retail study of this nature are:

- Census 1996 derived data bases;
- Retail sales reports by Statistics South Africa;
- Bureau of Market Research (BMR) reports on income and expenditure for different ethnic groups in South Africa;
- Studies on income and expenditure; and
- Rode's report's on the South African property market.

Of particular importance for this study has been the utilization of the data base in GIS (Geographic Information System) format for census-derived information linked to enumerator areas (1991 and 1996) by the Human Sciences Research Council (HSRC)'s GIS unit. It represents a refined and verified format of census information and is thus considered by the researcher to be a reliable source, given the fact that the HSRC has independently verified the census data by enumerator area. The data is also available in GIS format and compatible with MapInfo - the software package used by the researcher. The HSRC defines its data set as "Small Marketing Areas" which is essentially a "logical" combination of census 1996 enumerator areas and is defined by various polygons as shown in figure 6.4. Thus, for example, the St Lucia wetlands area has a very small population count for a vast area, and is thus indicated as a large polygon on the map.

Each polygon on the map (12 384 in total) contains demographic data such as population count, ethnic composition, age profile, employment profile, household income, type of dwelling. The small size of the polygons makes a refined analysis of trade areas considerably less cumbersome, than having to "guess" the share of population characteristics for small areas derived from district data, as was the situation prior to the 1990's. In summation, therefore, GIS based data sets and computer technology have become an invaluable analysis and management tool in research and business.

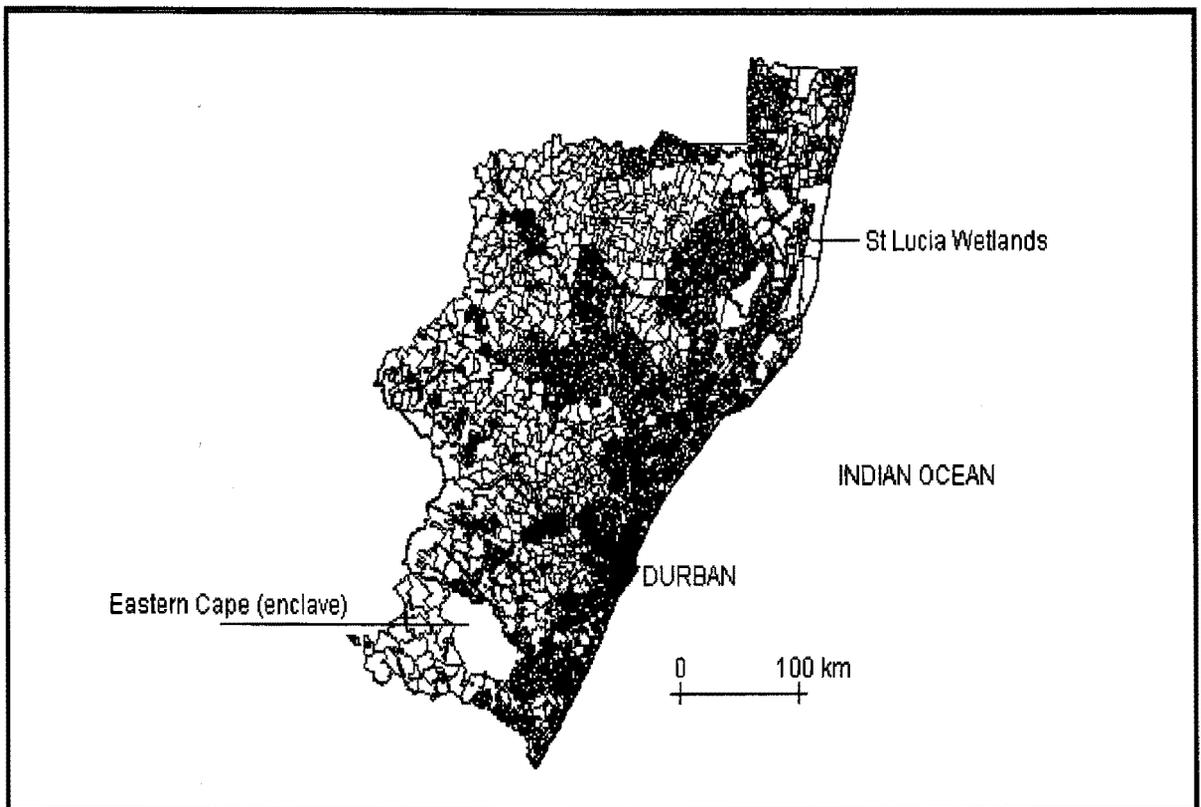


Figure 6.3: GIS map of Small Marketing Areas for KwaZulu-Natal, 1996. Census derived data is embedded in the centroid of each polygon.

## 6.5 Data processing

### 6.5.1 Computerization

All survey data was captured on Corel Quattro Pro spreadsheets (Corel Quattro Pro is interchangeable with Lotus 1-2-3 format, thus making it compatible with MapInfo). Data points for a map can be created by giving each questionnaire a longitude and latitude reading of the approximate residential location. A GPS can be handy in this respect in rural areas where it is a quick method to accurately determine location. It was used with heuristic trade area demarcation in the cases of Scottburgh, Umkomaas, Umzinto, Ballito and Cato Ridge and has become “standard equipment” for the researcher when assessing shopping centre development proposals in practise. Topographical maps were utilized with the household and shopper surveys for this study, and rendered sufficient detail to identify places at the level required for this study.

### 6.5.2 Sampling errors

Two kinds of errors were encountered with the surveys. Firstly, errors related to responses on income and expenditure of households, and secondly, difficulties with identifying all the residential locations given in the shopper surveys.

Furthermore, the respondents did not always know the exact income and expenditure figures as incomes in rural areas often differ on a monthly basis for many people. Bartering is also not accounted for. Expenditure is thus given as an approximation for infrequently purchased items. Estimates on grocery purchases, however, should be more accurate as they are bought regularly. Non-responses on items were also encountered and expenditure figures given sometimes exceeded income. Data Research Africa (May,1992) and the Bureau of Market Research (Moolman & Van Wyk, 1978) reported similar errors with their surveys. The deviations are treated by excluding questionnaires with gross errors when income and expenditure are analysed. These questionnaires, however, are not excluded from the shopping behaviour and demographic composition assessment.

Some residential locations given in the shopper surveys included indigenous Zulu names which do not appear on any map. The South African 1:250 000 topographical maps, however, were the most useful in this regard. The follow-up work thus included establishing these locations by consulting local people like the police and taxi drivers to point out the correct locations. Not all efforts were successful, but at least 80 percent of locations given could be identified and placed on a map.

### 6.6 Lessons learned from the research process.

Conducting field surveys for a research project of this nature requires substantial capital and logistical support and is also a time consuming affair. The following lessons were learned during the information collection and processing period:

- The subject matter associated with shopping centre development - which incorporates retail, service and construction industries - is vast, and exposure to the danger of “analysis paralysis” was encountered;
- Data relevant to the development process had to be selected, if not, the practical contribution would have been lost;
- The research analysis and presentation had to take account of the dynamics associated with entrepreneurship in the market place. Dynamics in research are about obtaining a balance between fact, interpretation and suggestion - highlighting the possibilities and the parameters for the developer;
- One of the shortcomings in the development process is that the research/researcher is often “divorced” from the “development team”. In this case, value was added by the researcher being involved in shopping centre development from pre-establishment to post-establishment;
- The dynamics associated with the retail industry requires continued research. One of the problems associated with conducting research over a lengthy period of time is that some of the surveys became outdated, for example, the trade area range of Mkuze has changed (reduced) significantly with the development of new shopping centres in the nearby villages of Manguzi, Jozini and Mbazwana between 1997 and 2000 (the Mkuze shopper survey was conducted in 1996).

The following chapters focus on selected data, believed to be the value drivers from a developers’ perspective. A developers’ initial interest in a shopping centre development is based on the broader issues of market potential, which is related to the demographics of the trade area. Data selection and analysis is thus linked to trade area analysis (chapter 2).

## CHAPTER 7

### RESEARCH FINDINGS: TRADE AREAS AND SPATIAL SHOPPING BEHAVIOUR

This chapter discusses selective results from the shopper survey, pertaining to:

- Trade area demarcation (range, shape, overlapping);
- Spatial shopping behaviour (travel mode, frequency of shopping visits; place of purchase);

and selective results from the household survey, pertaining to:

- Basic indicators of wealth (employment, household income, vehicle ownership);  
and
- Spatial shopping behaviour (place preference).

#### 7.1 Trade area assessment

Empirical evidence on the delineation of trade areas and spatial shopping behaviour is fundamental to an accurate assessment of buying power and market share potential. A shopping centre development strategy cannot be formulated without knowledge of where shoppers are most likely to originate from and how their shopping behaviour is most likely to be expressed in spatial terms.

The methodology and number of trade areas assessed have been described in chapters two and six. In addition to the number of trade areas assessed, Ithala Development Finance and Investment Corporation Limited has also assessed by a similar method the town of Estcourt in 1993, as well as KwaMashu City Centre and Madadeni Shopping Centre in 1993 and 1994 respectively. The KwaMashu and Madadeni surveys indicated that all shoppers originated from within the surrounding township. These results confirm Davies and Rogers' (1984) view (see 2.3) that centres in lower income areas are unlikely to attract shoppers from other higher income areas, whilst the converse is true for centres in higher income areas.

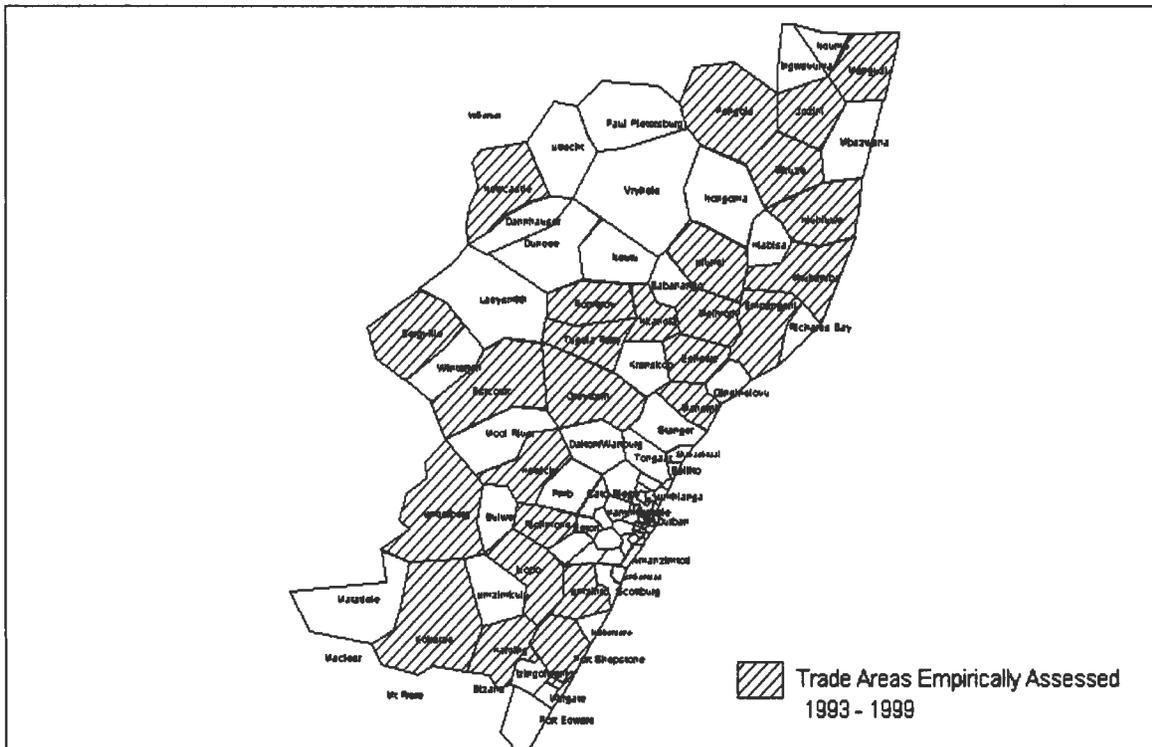


Figure 7.1: Trade area polygons: KwaZulu-Natal. Surveyed 1993 - 1999

The analysis of the trade area assessment was done with the aim to establish trade area dominance on a regional basis and a polygon map of these trade areas was thus constructed for the entire KwaZulu-Natal province. The trade area map could therefore be applied (figure 7.1) to the GIS map of census data enabling an account of all residents, which is considered important for model calibration purposes. The delineated trade areas thus reflect spatial dominance. This does not negate the principle of overlapping.

The substantial number of trade areas determined by the shopper surveys as depicted in figure 7.1, has enabled an accurate and comprehensive assessment of dominant trade area characteristics and has made it possible to establish a pattern for the whole province of KwaZulu-Natal. The three most dominant characteristics of trade areas identified herewith, are:

- the distance function or trade area range;
- trade area shape or boundaries;
- trade area overlapping.

## 7.2 Trade area range

Trade area range refers to the geographic distance, measured from the shopping centre or commercial hub, radiating outwards to where the customers who patronise the centre on a regular basis reside (i.e. could vary from 70 to 99 percent of sampled data - percentage calculation follows after boundary demarcation). Purely from observation of the distribution, as recorded in the shopper surveys, it is evident that people in general visit the nearest central place or shopping facilities - in rural towns in particular. This observation, as formulated, does not apply to black townships, however. Thus, if the formulation is amended to read: the majority of lower income shoppers, in general, prefer to patronize the nearest central business district, then a more universal pattern is described for all lower income patrons. The trade area assessments for Port Shepstone, Harding, Gingindlovu, Empangeni, Tugela Ferry and Nkandla will be utilized to illustrate the range principle. The address lists of samples interviewed for the spotter maps displayed in the following discussions, are annexed (Annexure: E1 to E12).

### 7.2.1 The Port Shepstone and Harding trade areas

Figure 7.2 gives the distribution of a sample of shoppers by residential address for Harding and Port Shepstone.

The towns are approximately 60 km apart, and as can be observed on the spotter map (figure 7.2), the distance midpoint defines the trade area boundary

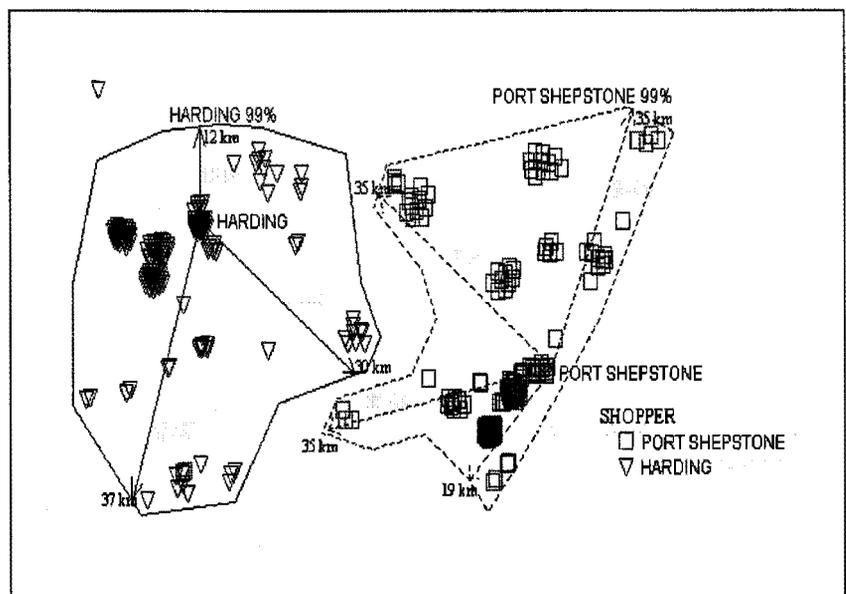


Figure 7.2: Customer spotting: Harding and Port Shepstone

places. There is also limited overlapping of the trade areas, although Port Shepstone (classified as a large town) has approximately six times more business and administration functions compared to Harding (classified as small town - see chapter 3 and Annexure B). It is also noted that the distribution of respondents by place of residence is not concentric and that the towns are not located at the respective midpoints of their trade areas. The influence of the coast line on the Port Shepstone trade area shape is clearly visible, hence the sharp trade area edge in a north east/south west direction (note: all maps are north oriented).

### 7.2.2 Empangeni and Gingindlovu trade areas

The spotter map (figure 7.3) for Empangeni displays 326 respondents of whom 169 were shoppers in the central business district of the town and 157 were shopping at Empangeni "Rail", some 3 km from the town centre. Empangeni "Rail" refers, in fact, to the light industrial area of Empangeni, and is therefore an integrated part of the town. However,

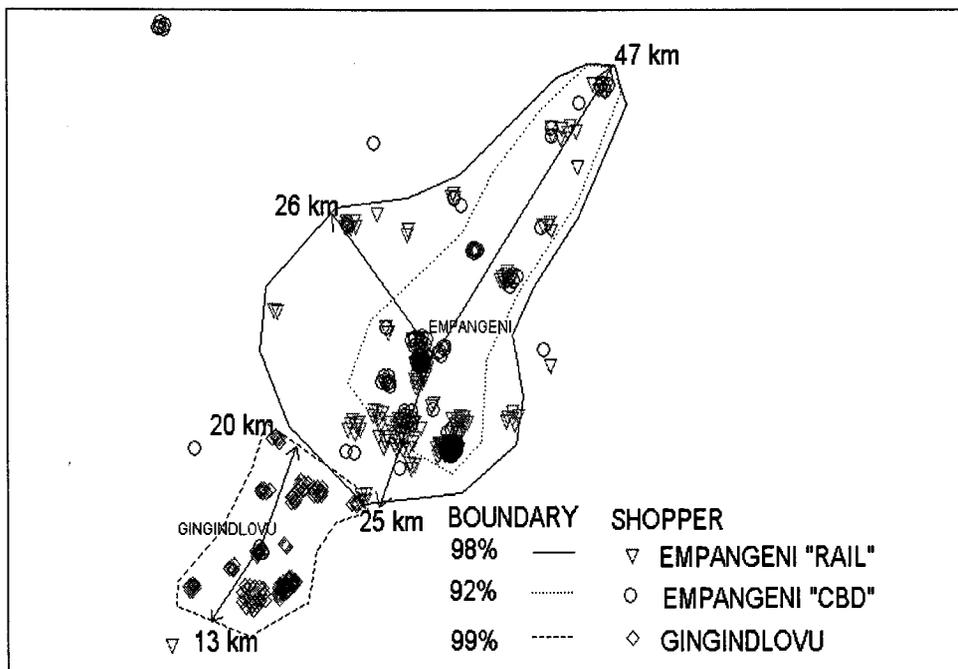


Figure 7.3: Customer spotting: Empangeni and Gingindlovu

due to the historic location of the now defunct railway station and the current large bus and taxi rank (one of three ranks in Empangeni), a shopping node has evolved adjacent

to the “rail rank”, thus accounting for dual commercial nodes for the town. The spotter maps for the two places in Empangeni clearly indicate overlapping because the same market area is served, although, on closer scrutiny, it appears that Empangeni “Rail” attracts more shoppers from the surrounding rural areas. This impact is linked to the substantial number of buses still serving the rural areas and ranking at the Empangeni “Rail” area.

Whilst Empangeni is classified as a large town, Gingindlovu, some 42 km south west of Empangeni, is classified as a village with approximately fourteen times less business and administration services than Empangeni. The trade area break point between the two places is not quite the mid-point, but slightly closer to Gingindlovu. The trade area range for Gingindlovu varies between 13 km (south) and 20 km (north east). The Empangeni trade area range varies between 25 km (south west) and 47 km (north east). Thus, although Empangeni is considered a higher order central place, trade area overlapping in respect of retail goods (food, groceries, clothing, furniture) with Gingindlovu does not feature strongly in this scenario (see also chapter 3).

### 7.2.3 Tugela Ferry and Nkandla trade areas

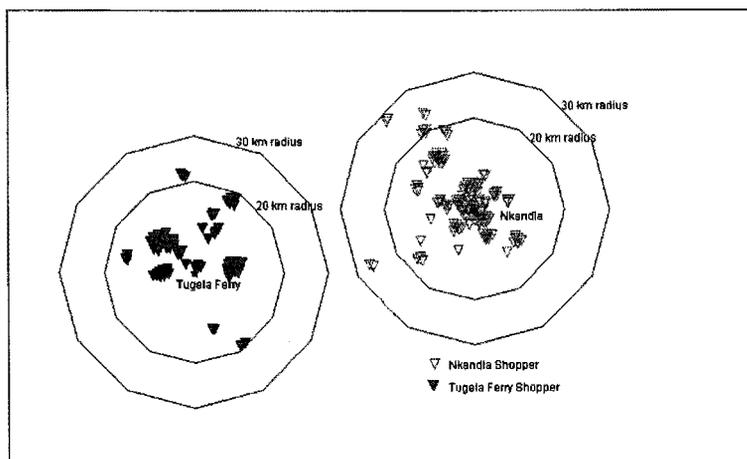


Figure 7.4: Tugela Ferry and Nkandla spotter map

The neighbouring villages of Tugela Ferry and Nkandla are some 65 km apart, but there is no direct road link and they are physically separated by a mountainous topography and deep river valleys. The trade area range (figure 7.4 - concentric zones are super imposed

for distance illustration only), in both cases, reaches approximately 20 km but the trade area, once again, can not be described as concentric. Both villages have fairly isolated locations compared to other villages in KwaZulu-Natal.

The empirical evidence on trade area range (table 7.1) points to a high degree of uniqueness for each scenario and there is no supporting evidence of concentric ranges.

Table 7.1: Empirical trade area ranges

Central place	Trade area range (km) 95% shoppers	Median range (km)
<b>Large towns</b>		
Empangeni	25 - 47	36
Newcastle	25 - 43	34
Port Shepstone	19 - 35	27
<b>Average</b>	<b>23 - 42</b>	<b>32</b>
<b>Small towns</b>		
Bergville	14 - 37	26
Eshowe	10 - 32	21
Estcourt	20 - 42	31
Harding	12 - 28	20
Howick	10 - 32	21
Ixopo	24 - 35	30
Kokstad	23 - 47	35
Mtubatuba	15 - 30	23
Richmond	13 - 31	22
Ulundi	13 - 35	24
Umzinto	9 - 29	19
<b>Average</b>	<b>15 - 34</b>	<b>28</b>
<b>Villages</b>		
Gingindlovu	13 - 20	17
Highflats	9 - 25	17
Hluhluwe	16 - 33	25
Jozini	8 - 34	21
Manguzi	14 - 38	26
Melmoth	18 - 31	25
Mkuze	15 - 34	25
Nkandla	14 - 33	24
Pomeroy	12 - 26	19
Sundumbili	13 - 32	23
Tugela Ferry	12 - 29	21
<b>Average</b>	<b>13 - 30</b>	<b>22</b>

Thus, as a general rule of thumb, large town trade area ranges vary between 23 and 43 km. Small towns trade area ranges vary between 14 and 34 km and that of villages between 13 and 30 km. The general tendency is for the range to increase with a concurrent increase in the hierarchical level of central places, however, due to the exceptions and width of the ranges, it is recommended that trade area demarcation in rural areas be based on an assumption of uniqueness that warrants an empirical method (customer spotting), alternatively, utilizing the proximal method.

### 7.3 Trade area shapes

The use of radius distance is merely a convenient method to describe the range of a trade area. A concentric trade area, although it may exist in some cases, is not advocated herewith, as the empirical evidence (figure 7.1) points to unique trade area shapes - as defined by the boundary of the trade area demarcating an area within which the majority of shoppers reside. Trade area boundaries and shapes are influenced by the relative location of the commercial centre with regards to competitive centres, topography of the landscape, distribution of residences, infrastructure such as roads and railways and finally by shopping preferences.

#### 7.3.1 Howick trade area

The small town of Howick is located some 22 km from Pietermaritzburg. A black township - Mpophomeni - with some 30 000 residents is approximately 8 km from Howick. The N2 national road (between Durban and Gauteng) and the main road leading to Underberg (Southern Drakensberg mountain range) converge at Howick, thus an important inland transportation route intersection exists near Howick. A large contingent of semi-rural people reside along the Underberg route, which stretches in a south-westerly direction. Figure 7.5 highlights the customer spotter map for Howick as well as the trade area boundary.

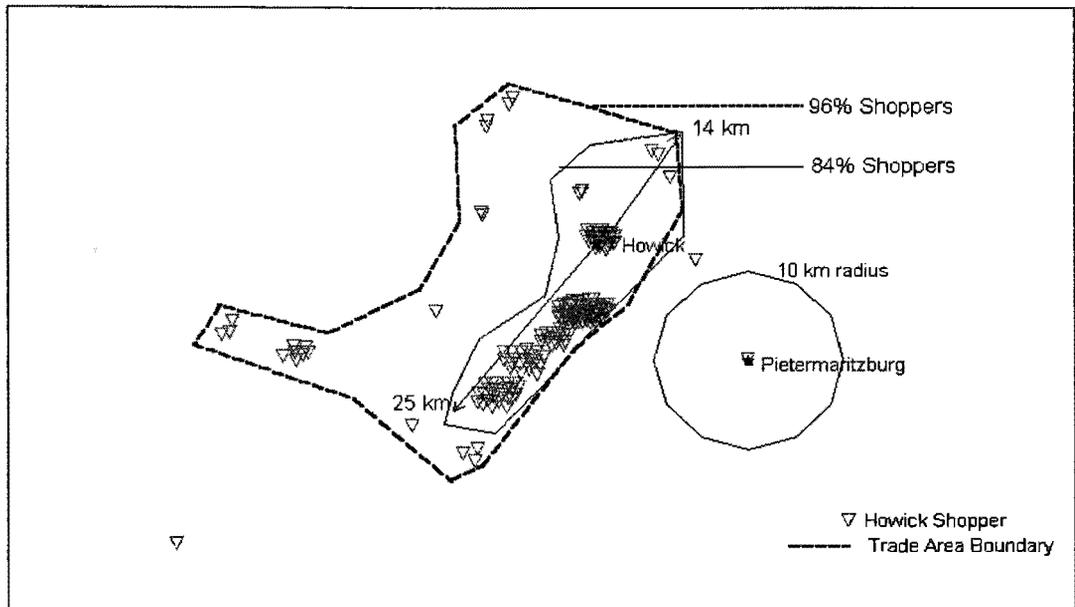


Figure 7.5: Customer spotting: Howick

The origin of Howick shoppers is firstly from within the main town, and secondly from the surrounding rural area, with the highest intensity originating from the Mpophomeni Township in the south west, followed by the semi-rural people residing in a corridor stretching in a south-westerly direction along the main road. The shape of the trade area is thus determined by the location and intensity of residences in the “semi-rural south-western corridor” for a distance of up to 20 km from Howick. The topography of the south-westerly corridor - comprising mainly hills and a fertile valley - in turn determined the popularity of the area for settlement by semi-rural people. Thus, the Howick trade area boundaries reflect a “bean shape” and are not reminiscent of any geometric (circle, hexagon, square, triangle) shape. Rural areas such as Nkandla and Tugela Ferry (figure 7.4) are also examples of trade areas which are influenced by topography, where “natural” barriers such as the Tugela River and an uninhabitable and inaccessible mountain range create a distinct “watershed” between the two trade areas.

The proximity of Howick to a large city such as Pietermaritzburg limits the number of customers attracted to Howick from the Pietermaritzburg area, thus the Howick trade area overlaps with that of Pietermaritzburg. A household shopping survey was also conducted in the semi-rural area south west of Howick and the resultant spatial behaviour, which

will be discussed in more detail later in the chapter, indicates a substantial outflow of buying power from the Howick trade area to that of Pietermaritzburg.

Defining the Howick trade area as a “30 km radius”, or any radius for that matter, would obviously be a gross error, as it would include a large portion of Pietermaritzburg, thus illustrating exactly why concentric trade areas should not be used to demarcate trade areas.

#### 7.4 Overlapping of trade areas

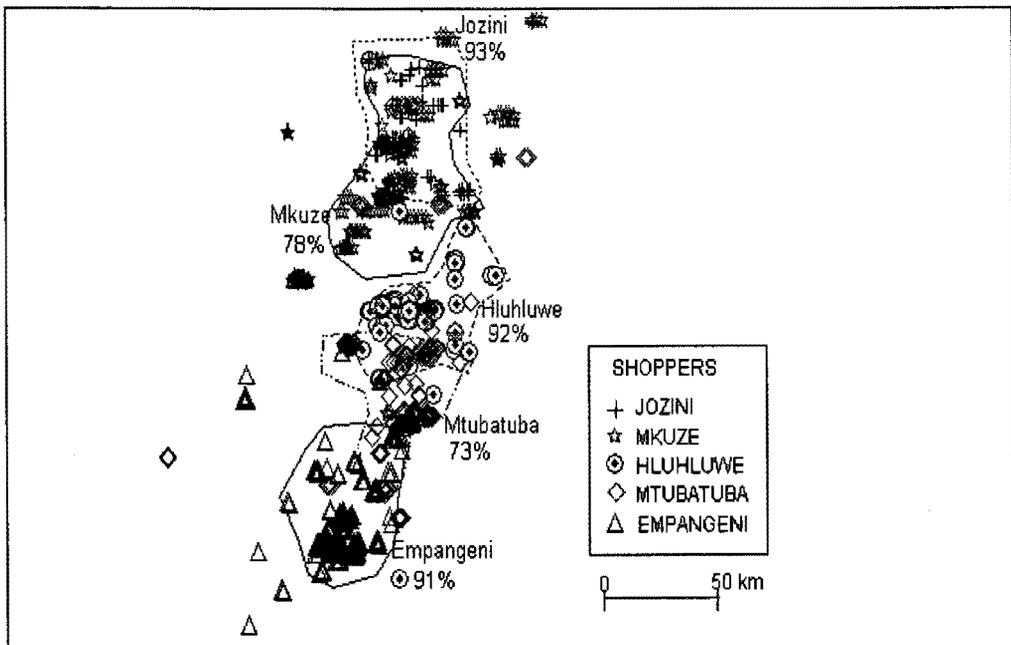


Figure 7.6: Customer spotting: Northern KwaZulu-Natal

The theory of spatial interaction (chapter 2) is based on the trade area overlapping phenomenon. The overlapping could vary from a hundred percent to as low as one or two percent. The proximity to other centres and the density of development, as experienced in large metropolitan areas, is most commonly linked to overlapping trade areas. However, it is not exclusive to large

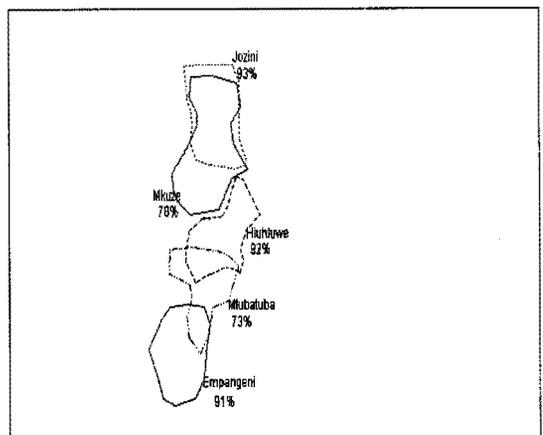


Figure 7.7: Overlapping trade areas

urban areas but also evident in some rural areas. Figures 7.6 and 7.7 illustrate examples of near hundred percent overlapping (Jozini and Mkuze trade areas, 1996), partial overlapping (twenty percent between Hluhluwe and Mtubatuba) and multiple overlapping (Mtubatuba with Hluhluwe, Empangeni and Hlabisa).

A “special” case of trade area overlapping occurs at Shelly Centre on the KwaZulu-Natal south coast and highlights the principle of market segmentation (appealing to or focussing on a particular socio-economic group - mainly white middle to high income earners).

Shelley Centre was researched by Warrington (1997) in support of a re-zoning application for a potential development on another site close to Shelley Centre. Shelley Centre at the time was 21 000 m<sup>2</sup> and has since been extended to approximately 25 000 m<sup>2</sup>. The centre can be described as a freestanding up-market community-type centre, performing a regional function, with Pick & Pay and Woolworths as anchor tenants and many national tenants as line shops. The attraction of the centre is linked to its size and up-market image, thus being a popular shopping place for the wealthier people, mainly whites, residing on the

KwaZulu-Natal South Coast - which is a popular tourism and retirement area. In addition to attracting people from the surrounding trade areas of the towns of Port Shepstone, Margate and Port Edward, the centre also attracts shoppers from

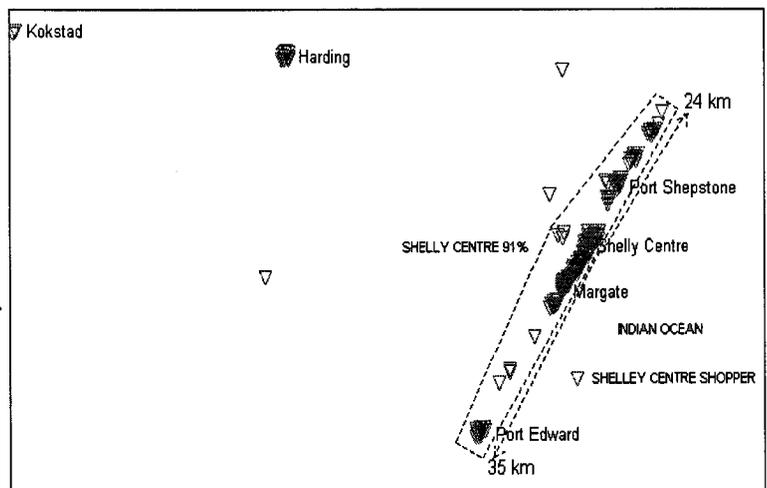


Figure 7.8: Customer spotting: Shelley Centre.  
Source: Warrington, 1997

the high income group as far as Harding and Kokstad, as shown in figure 7.8

### **Recommendation**

Each central place and its associated trade area display unique characteristics in terms of range, boundary's, demographics, economic activity and relationships with other central places. "Quick-and-dirty" methods of analysis (White & Gray, 1996 : 110) based on averages such as "typical ranges", "concentric trade areas" and "per capita retail area" are not consistent with the empirical findings. Whilst it is acknowledged that most central places have comparable characteristics useful for analogues, the point of departure is, in order to fully comprehend the functioning of a market place, an analysis focussed on the micro level (see chapter 2).

#### **7.5 Spatial shopping behaviour: selected results from the shopper surveys**

In addition to the question in the shopper survey on where shoppers reside, a number of additional questions on shopping behaviour were asked. Not all of the questions were relevant or meaningful for a discussion and many were considered peripheral to the central issues of determining shopping centre viability. Shopper surveys, with respect to additional information, are also flawed in the sense that they only measure a sample of mostly "loyal" shoppers at a particular location. The views expressed are thus one-sided. Household surveys, on the other hand, give a more realistic picture of the views and shopping behaviour of the trade area universum. Shopper surveys should therefore be ideally followed by household surveys in the trade area determined by the shopper survey.

Shopper surveys, however, could provide some insight into potential flow of spending power to places other than the one surveyed (food and grocery shopping was measured in this case). Transportation mode of shoppers, frequency of shopping trips, type of goods purchased, average expenditure per shopping trip, place where most purchases are usually made and average income of shoppers are also measured by the survey and discussed herewith.

A sample of 13 shopper surveys from the 25 surveys conducted (chapter 6) was selected to represent different types of central place classifications, namely large towns, small

towns and rural villages. It must also be noted that these surveys were aimed at the lower income black market and thus avoided places where typical high or middle income white people shop, for example Sanlam Centre Empangeni.

### 7.5.1 Travel mode

The main modes of travel for lower income groups in the rural areas of KwaZulu-Natal are mini-bus taxis (70 to 80 percent), buses, private vehicles and pedestrian. Railway travel does not feature and is a historic service that has been discontinued in most rural areas in KwaZulu-Natal. Railway travel only exists, with limited significance, in the metropolitan areas of Durban.

Table 7.2 : Travel mode of shoppers at selective places in KwaZulu-Natal

No	Places	Transportation mode (%)				Average fare per single trip
		Bus	Car	Foot	Taxi	
<b>Large towns</b>						
1	Empangeni	15.5	2.5	0.5	81.5	n/a**
2	Newcastle	12.4	1.9	0.4	85.3	R2.50
3	Port Shepstone	10	9	4	77	R4.20
Subtotal average		12.63	4.47	1.63	81.27	R3.35
<b>Small towns</b>						
4	Eshowe	36.06	7.21	2.88	53.85	R3.70
5	Howick	14	10	12.5	63.5	n/a
6	Kokstad	11.5	2.5	4	82	R6.85
7	Umzinto	9.5	1.5	5	84	R4.45
8	Mtubatuba	12	5.5	1.5	81	R4.52
Subtotal average		16.61	5.34	5.18	72.87	R4.48
<b>Villages</b>						
9	Gingindlovu	23.81	2.86	6.67	66.67	R3.40
10	Hluhluwe	10.26	9.23	6.67	73.85	R4.60
11	Melmoth	23.96	3.23	2.3	70.51	R5.25
12	Nkandla	3.03	7.02	7.58	87.37	R4.80
13	Tugela Ferry	1.01	4.55	11.1	83.33	R3.10
Subtotal average		12.41	5.38	6.86	76.35	R4.23
Total average		14.08	5.15	5.01	76.14	R4.31

\*\* Not asked. Some of the earlier questionnaires did not included this question.

The results of table 7.2 confirm the importance of mini-bus taxis and buses as the most important modes of transportation for low-income earners in KwaZulu-Natal. Thus the strategic objective to locate shopping centres in close proximity to transportation ranking facilities is linked to the high degree of interdependence on the disposition of the low income earner with regard to private vehicles.

The household surveys indicated private vehicle ownership amongst the residents of Esikhaweni township to be 32.67 percent (table 7.5), yet when asked what mode of transport is regularly used, only 19.33 percent indicated the use of private vehicles. At the time of the survey (1996) the average taxi fare for a single trip to either Empangeni CBD or Richards Bay (approximately 8km trip) was R2,00, which was substantially less than the running cost of a private vehicle (about 46 cents per kilometre). The South African Taxi Industry has thus created a very competitive service for transporting people in the low income market.

#### 7.5.2 Frequency of shopping visits

Shopping is not only considered a necessity in the modern age, but could also be seen as a social and recreational experience. Table 7.3 indicates that shopping is also a very frequent activity in low income markets and in particular in rural villages where a strong social and recreational component is part of the activity. The higher percentage of convenience goods purchases at villages level are related to the relative lower household incomes as well as “out shopping” to higher order centres for semi-durable and durable goods. The general pattern of convenience goods purchases in table 7.3 is consistent with the findings of retail provision in the hierarchy of central places, chapter 3.

There are, however, exceptions such as the low percentage of convenience goods purchased at Nkandla which indicate, after a re-appraisal of the facilities available, an under provision in quality supermarkets, hence a substantial outflow of convenience goods purchases also occurs - an indication of disequilibrium in retail provision. The preferred shopping place (nearest) for Nkandla shoppers is the village of Melmoth which is some 45 km from Nkandla. Thus, certain central places benefit from a lack of facilities

in other nearby places, however, that “benefit” will be lost once development occurs at the underdeveloped places.

Table 7.3 : Frequency of shopping visits at selective places in KwaZulu-Natal

No	Places	Frequency of visits to shops as a Percentage of visits (%)				Convenience goods purchased (%)
		Daily	Weekly	Monthly	Yearly	
<b>Large towns</b>						
1	Empangeni	23.5	42	29	5.5	64.5
2	Newcastle	25.16	57.42	16.77	0.65	50.86
3	Port Shepstone	48	39.5	10	2.5	66.81
Subtotal average		32.22	46.31	18.59	2.88	60.72
<b>Small towns</b>						
4	Eshowe	39	27.5	33.5	0	61.27
5	Howick	36	44.5	13.5	6	64
6	Kokstad	46.5	29	24	0.5	86
7	Umzinto	41	22	35.5	1.5	73.98
8	Mtubatuba	26	40	34	0	71.3
Subtotal average		37.70	32.60	28.10	1.60	71.31
<b>Villages</b>						
9	Gingindlovu	45.5	31	22.5	1	85
10	Hluhluwe	27.69	31.79	40	0.51	88.72
11	Melmoth	51	17.5	31.5	0	83
12	Nkandla	68.69	26.26	5.05	0	62.63
13	Tuhela Ferry	63.64	18.69	16.67	1.01	79.8
Subtotal average		51.3	25.05	23.14	0.5	79.83
Total average		41.67	32.86	24	1.47	72.14

### 7.5.3 Individual income and purchases per shopping trip

The objective with the inclusion of individual income and spending per shopping trip in the shopper questionnaire was to assess if a relationship could be detected, which would then assist in establishing market potential based on individual income or spending per shopping trip. Household income was reserved for the household surveys. Selective results are summarized in table 7.4.

Table 7.4 : Income and expenditure per shopping trip

No	Places	Shoppers unemployed (%)	Average income of shoppers earning an income	Average expenditure per trip	Shop mainly at place of interview (%)
<b>Large towns</b>					
1	Empangeni	50.5	R1 475.75	R128.64	96.5
2	Newcastle	41.94	R1234.84	R73.46	94.84
3	Port Shepstone	38	R1 110.08	R72.11	86
Subtotal average		43.48	R1 273.56	R91.40	92.45
<b>Small towns</b>					
4	Eshowe	55	R1 255.55	R57.13	81.28
5	Howick	58.5	R 907.83	R88.56	77.5
6	Kokstad	42.5	R1342.17	R148.4	74
7	Umzinto	50.5	R 801.01	R91.57	75.22
8	Mtubatuba	55.5	R1 179.21	R124.4	84
Subtotal average		55.5	R1 097.15	R102.01	78.40
<b>Villages</b>					
9	Gingindlovu	44	R679.91	R135.4	90.95
10	Hluhluwe	46.15	R1 223.81	R69.04	67.34
11	Melmoth	37.5	R822.4	R175.4	85.59
12	Nkandla	27.27	R814.23	R84.45	56.44
13	Tugela Ferry	37.37	R735.08	R69.66	56.06
Subtotal average		38.46	R855.09	R106.79	71.28
Total average		45.37	R1 063.51	R100.78	79.77

The relatively high percentage of unemployment reported in the shopper survey is related to the high percentage of non-income earners doing shopping during the day when the income earners are obviously at work. It is thus not a true reflection of national unemployment rates. The average income of earners in the larger towns as depicted in table 7.4 is more than in rural villages - a trend that is consistent with the findings of other researchers ( May, 1992 : 49 - 50). A significant relationship between income of shoppers earning an income and average expenditure per shopping trip for that shoppers could not be concluded from the survey data ( $R^2 = 0,12$ ). **It is thus recommended that questions related to income be focussed at the household level - including street surveys.**

As stated before, shopper surveys are biased insofar as they tend to measure shoppers “loyal” to a particular location. The expected results for the question as to where the respondent does the majority of retail purchases, mostly indicate the place of interview. In cases where the frequency of the place of interview is below average (75 percent is considered a good benchmark) a substantial outflow of buying power and overlapping of trade areas can be expected. The results for the villages in table 7.4 indicate a substantial “below average frequency” for Nkandla, Hluhluwe and Tugela Ferry, whilst Gingindlovu and Melmoth manages a higher percentage of shopper loyalty. The village of Nkandla, as mentioned before, experiences an “outflow” of approximately 50 percent to the town of Melmoth and 30 percent of shoppers in Tugela Ferry indicated that they do the majority of their shopping in Greytown (60 km from Tugela Ferry). The overlapping of the Hluhluwe and Mtubatuba (figure 7.7) trade areas bears testimony to the substantial percentage of “out shopping” (favouring Mtubatuba) experienced in the Hluhluwe area.

**The value drivers of shopper surveys for shopping centre development research and spatial analysis are related to:**

- empirical trade area demarcation (most important);
- gauging loyalty towards facilities and central places;
- identifying competitors;
- identifying mode of transportation;
- shopper perceptions of retail facilities;
- shopping behaviour;
- market share estimates;
- being relative quick and inexpensive

## 7.6 Spatial shopping behaviour: selected results from the household surveys

The objective with selecting different geographic areas for the household surveys was to obtain representative samples for the total spectrum of emerging markets (rural and urban) in KwaZulu-Natal. It was unclear at the time of the surveys (1996), if areas such as Phoenix and Chatsworth would have to be included, given the household income categories set for this study (D- and E-income groups; up to R 3 500-00 per month - see chapter 2). It was thus decided to include Phoenix, and as it turned out, the average household income in Phoenix is marginally above (R3 775) the R 3 500 benchmark. This was also confirmed by census 1996 results (average household income, R 3 712 per month). However, the Phoenix results are included in the analysis as it does make a contribution in understanding the bigger picture, in particular the household income and expenditure analysis, as highlighted in chapter 8. The results for the Phoenix household survey should rather be seen as indicative of a benchmark with regard to spatial shopping behaviour, giving valuable insight into the future possibilities for black townships in South Africa.

The six household surveys conducted for this study (Umlazi Township, Esikhaweni Township, Harding Rural, Empangeni Rural, Howick Rural, Phoenix) focussed on three issues, namely demographic composition of the household, shopping behaviour in terms of preferential places where shopping is mainly conducted and average expenditure on a number of items - mainly retail. The shopping place preferences are discussed in this section. The relationship between income and expenditure will be analysed in the next chapter.

### 7.6.1 Employment, income and vehicle ownership

The results in table 7.5 to 7.8 indicate Phoenix to have the lowest unemployment, highest income, highest private vehicle ownership, shopping takes place mainly in the township/suburb of Phoenix.

Table 7.5: Household survey: employment, income and private vehicles

Household survey area	Location type	Unemployed %	Work outside survey area %	Average household income per month R	Households with private vehicle %
Umlazi	Black township	23.52	71.74	2 395.33	28.12
Esikhaweni	Black township	39.24	79.72	2 412.98	32.67
Harding rural	Black rural	33.26	69.84	733.5	15
Empangeni rural	Rural and Semi-rural	31.91	70.27	1 470.25	11.25
Howick rural	Rural and Semi-rural	30.17	86.89	866.4	21.33
Phoenix	Indian township	12.45	86.36	3 775.14	53.85

The unemployment figures for the household surveys (table 7.5 ) are less than those given by the shopper surveys (table 7.4). Variation between the different regions is also discernable. It is therefore not possible to generalize in terms of unemployment when assessing different trade areas. Nevertheless, the general average of 31.62 percent for the predominantly black areas is comparable with national figures on unemployment (Statistics South Africa, 1998).

With regard to the place of employment, the majority of workplaces are outside the residential areas for all surveys. 20 percent of the Umlazi employed work in Durban and 28 percent in the township itself. The balance is mainly scattered all over the Durban metropole. The large contingent of employment in the townships indicates that they are not only dormitory towns but have an economic life of their own and perhaps are at an early stage of development. Employment within the township is mainly related to government institutions such as education, administration, policing, parastatal institutions (Ithala Head Office is in Umlazi) and retailing (formal and informal). The Esikhaweni residents are mainly employed in Richards Bay (30 percent) and Empangeni (20 percent), by contrast, choose to shop mostly in Empangeni (see table 7.6).

The average household income clearly differs between townships and rural areas with households in the townships earning substantially more than their rural counterparts. A relationship between income and private vehicle ownership can also be observed with the latter increasing with income. These basic indicators of relative wealth (table 7.5) set important benchmarks for assessing variations in spatial shopping behaviour when linked to socio-economic status of the emerging market shopper. A distinct spatial behaviour pattern is noticeable when analysing the preferred place of shopping and reasons for such choice (table 7.6, 7.7 and 7.8).

### 7.6.2 Preferred places of shopping

The shopping patterns by place of preference differ between the three main categories of places identified in the household surveys, namely,:

- black townships;
- rural areas;
- the predominantly Indian suburb/township of Phoenix.

The majority of township people, as measured in the Umlazi and Esikhaweni surveys, prefer to shop at retail facilities outside the township boundaries. In the case of Umlazi, 52.08 percent prefer to shop in Durban CBD, which is approximately 18km from the geographic centre of the township. Isipingo, some 7 km from Umlazi Town Centre, draws 20.83 percent of the regular shopping trips and Prospecton, some 9 km away (where a Hyperama is located), attracts 13.02 percent of the regular shopping trips. Only 1.5 percent of respondents indicated that they do the majority of their shopping in Umlazi township. In the case of Esikhaweni, the shopping places in the township performed better and attracted 32 percent of the responses. The majority prefer to shop in Empangeni (56.67 percent) some 12 km from the township.

People in the rural areas of Harding and Empangeni do the majority of their shopping at the nearest central place of substance or town such as Harding (91.88 percent) in the case of the Harding trade area and Empangeni (47.5 percent), KwaMbonambi (20.0 percent) and Richards Bay (16.88 percent) in the case of the Empangeni Rural Area. The shopper

Table 7.6: Shopping patterns by place most often utilized

Household survey	Town most often used for shopping	Shop most often used for shopping	Frequency of visits
	% Households		
Umlazi	Durban Town - 52.08% Isipingo - 20.83% Prospecton - 13.02%	Checkers - 32.5% OK Bazaars - 14.0% Jeenas - 13.0% Hyperama - 12.50%	Monthly - 76.69% Weekly - 17.71%
Esikhaweni	Empangeni - 56.67% Esikhaweni - 32.00% Richards Bay - 6.67%	Checkers - 37.5% Diye - 18.23% OK Bazaars - 14.58%	Monthly - 50.67% Daily - 25.33% Weekly - 12.67%
Harding rural	Harding - 91.88% Nqabeni - 5.63%	Moosa - 67.43% Spar - 10.86%	Monthly - 87.5% Weekly - 10%
Empangeni rural	Empangeni - 47.5%, KwaMbonambi - 20.0% Richards Bay - 16.88%	Boxer Cash & Carry - 26.25% Checkers - 18.75% Spar - 17.5% Pick & Pay - 7.5% OK Bazaars - 6.88%	Monthly - 83.75%, Weekly - 11.25%, Daily - 3.75%
Howick rural	Pietermaritzburg - 78.0% Howick - 17.33%	Spar - 20.0% OK Bazaars - 18.5% Pick & Pay - 15.5% Vata - 9.0% Goolams - 5.0% Checkers - 5.0%	Monthly - 70.0% Weekly - 12.67% Daily - 4.67%
Phoenix	Phoenix Plaza - 47.18% Redberry Centre - 17.44% White House - 8.72% North Coast Mall - 6.67% La Lucia Mall - 5.64%	Checkers - 45.41% Take & Pay - 22.71% Pick & Pay - 7.73% Knockout - 7.73%	Monthly - 65.64% Weekly - 29.74% Daily - 4.62%

surveys for rural areas confirm this tendency, where the nearest place principle dominates. However, as can be seen from the attraction of KwaMbonambi (some 34 km from Empangeni), if a sufficient intervening opportunity exists, people in rural areas will not necessarily by-pass that opportunity. This principle has also been confirmed in “white” areas on the West Rand (Roodepoort, Krugersdorp) by Ghyoot (1992).

The shopping behaviour in Phoenix reflects that of Western- style patterns, where the majority of retail purchases are made within the retail system provided in the suburban setting. Phoenix Plaza, a community centre of 21 000 m<sup>2</sup>, attracts 47.18 percent of the households within Phoenix as the place most often used for shopping, whilst Redberry Centre and White House, two neighbourhood centres within Phoenix, attract 17.44 percent and 6.67 percent respectively. Thus three major shopping centre facilities within

Phoenix retain 73.34 percent of the choices for place most often used for shopping by the Phoenix residents. Although 86.36 percent of the Phoenix people work outside the suburb of Phoenix and 33.92 percent work in the Durban area, only 5.13 percent of the respondents preferred the Durban CBD as a regular shopping place.

With regard to the shop chosen for most purchases, the impact of Checkers on the low-income market is profound. However, Checkers features the least in the rural areas, which has turned out to hold considerable prospects for independent and regional chains such as Boxer Cash & Carry - which specialize in rural black areas and prefer to be located as close as possible to taxi ranks. Thus, in the case of Empangeni, Checkers attracts more of the urbanized blacks living in the township of Esikhaweni (37.5 percent) and Boxer Cash & Carry attracts more shoppers from the rural areas surrounding Empangeni (26.26 percent). The principle of market segmentation (attracting a group with similar characteristics) does therefore also feature in the lower-income market. (This knowledge was applied with the extension of Ondini Plaza in 1997. Boxer Cash & Carry was “targeted” and canvassed as the second anchor for the centre with the aim to attract more patrons from the surrounding rural areas and thus to be complementary to the existing Shoprite supermarket, who was and is still doing a very good trade density. The “tenant targeting” strategy was very successful and expanded the attraction and customer base of the centre after completion of the extension - see also chapter 5).

The answers to the household survey question on places preferred as an alternative (table 7.7) for shopping did not in general differ from the pattern as observed by the primary preference. Thus, a “fixed” pattern of spatial shopping behaviour is also evident in the low income market.

The shops where most spending is done, are, without exception, supermarkets. Thus expenditure on food remains the most important retail household expenditure for lower-income groups. The importance of supermarkets as anchor tenants in shopping centres in lower income markets is also confirmed by the findings as it remains the single most important reason for visiting a shopping centre.

Table 7.7: Alternative shopping places and expenditure at shop mostly utilized

Household survey	Alternative shopping place		Alternative town where most money is spent		Shop where most money is spent		Average expenditure/ month at place of most shopping
	Place	%	Place	%	Place	%	
Umlazi	Durban Town	67.15	Durban Town	64.5	Checkers	31.79	508.13
	Isipingo	21.17	Isipingo	23	Jeenas	12.31	
			Prospecton	9	Hyperama	11.28	
					OK Bazaars	9.23	
Esikhaweni	Empangeni	29.33	Empangeni	74	Checkers	49.61	488.4
	Esikhaweni	10	Richards Bay	8	OK Bazaars	14.73	
	Richards Bay	9.33	Esikhaweni	3.33	Pick & Pay	13.95	
Harding rural	None	45	Harding	88.13	Moosa	62.5	319
	Harding	38.75			Spar	16.88	
	Port Shepstone	4.35	No Alternative	6.25	Various	5.63	
Empangeni rural					Boxer Cash & Carry	35.63	382.5
	Empangeni	49.28	Empangeni	63.75	Checkers	18.97	
	KwaMbonambi	18.84	Richards Bay	18.13	Spar	11.49	
	Richards Bay	10.14	KwaMbonambi	11.88	Pick & Pay	9.2	
					OK Bazaars	9.2	
Howick rural	None	63.33	Pietermaritzburg	78	Spar	19.62	303.48
	Pietermaritzburg	21.33	Howick	17.33	Pick & Pay	17.09	
					OK Bazaars	15.19	
	Howick	8.67			Vata	6.69	
Phoenix	Phoenix Plaza	39.13	Phoenix Plaza	47.18	Checkers	45.64	669.07
	White House	13.04	Redberry Centre	16.41	Take & Pay	23.59	
	Redberry	10.87	White House	8.21	Knockout	7.69	
					Pick & Pay		
	North Coast Mall	10.87	Durban North	5.64	Hypermarket	5.64	
	Durban North	10.87	North Coast Mall	6.15	Pick & Pay	4.62	
	La Lucia	8.7	Durban Town	4.1			
		La Lucia	4.1				

The average household expenditure in supermarkets (table 7.7) varies according to the average household income, thus the poorer rural areas such as Howick, Harding and Empangeni spend less than the wealthier township people who, in turn, spend less than the wealthier households in Phoenix. The relationship between household income and expenditure will be analysed in more detail in the next chapter.

Table 7.8: Reasons for choosing shopping place

Household survey	Cheap/specials	Fresh quality	Near/convenient	Variety	Transport	Other	No answer <sup>1</sup>
	% of households						
Umlazi	43.93	20	11.43	13.21	2.5	4.29	4.64
Esikhaweni	21.79	3.85	22.44	5.77	5.13	0	41.02
Harding rural	26.94	3.11	28.5	7.77	0	0	33.68
Empangeni rural	45.69	15.23	7.11	9.64	4.06	0	18.27
Howick rural	34.13	1.2	35.93	4.79	2.4	3.59	17.96
Phoenix	17.23	4.49	56.93	13.86	0	5.62	1.87

The most intriguing part of the spatial choice assessment pattern is the “black townships shopping behaviour” anomaly. The question that thus has to be answered, is why shopping in black townships is not taking place on the principle of “nearest to residential area”, as observed in rural areas and the Phoenix township. The answer to this question is found, partially, in the reasons given for choice of selection, as per table 7.8. For all low income people the choices pivot on convenience and prices. In fact, these two issues are generic to all shopping behaviour, regardless of the socio-economic status. In the case of low income earners in the Umlazi township, the attraction of lower and competitive prices outweighs the distance factor. The same principle applies to Empangeni rural people, whilst a finer balance between distance and pricing is observed for the Esikhaweni, Harding and Howick surveys. In the case of Phoenix, on the other hand, convenience outweighs pricing by far. If the need for variety and quality is further added to the equation of choice, then it is evident that price, quality and variety are the major drawcards for township people to shop in nearby well- developed central areas. The ease of obtaining public transportation (mini-bus taxis) to a large extent negates the distance factor and in fact enhances the convenience issue. It is nearly impossible for a neighbourhood centre in a black township to compete with the attraction power of a well-developed and well-maintained CBD.

1

High percentage of non responses indicate strong habitual patterns (Esikhaweni) or when there is no real alternative other than visiting the nearest place (Harding).

A further question that can thus rightfully be asked is whether this pattern of CBD shopping of black township residents is likely to change, and if so, what will be the impact on retail facility provision or opportunities for shopping centre development in black townships. The answer to this question is sought in the results from the Phoenix survey. An increase in household wealth and spending power and a related increase in private vehicle ownership will enhance personal mobility and decrease price sensitivity. Convenience will thus become an important reason for choosing a shopping place. CBD's will lose their appeal as congestion and a lack of parking facilities will detract from the convenience factor - a "classical" situation all over the world where shopping centres have flourished. The provision of adequate competitive retail facilities will be required at such a stage of economic development to change the present spatial shopping behavioural system. Successful shopping centre developments, however, cannot precede the market if the basic requirement of adequate spending power thresholds is not present in the black townships. As long as households have to rely mostly on public transport - an indication of relative poverty in South Africa - their freedom of movement and choice of shopping facilities will be guided by the public transportation system and the attraction of retailing in central business districts. Market shares for centres within the townships will remain low and financial viability will remain marginal during such a transition phase.

**The household survey value drivers for shopping centre development include:**

- Being the most important type of survey to collect primary data;
- Obtaining income and expenditure at household level;
- Detecting accurate spatial shopping behaviour (store choice) patterns;
- Identifying socio-economic profiles;
- Explaining only current behaviour; and
- Being time consuming and relatively expensive.

## **CHAPTER 8**

### **RESEARCH FINDINGS: INCOME AND EXPENDITURE**

Purchase power analysis is an integrated part of trade area analysis and follows trade area delineation (Dawson, 1983:40). Whilst advanced countries such as the United States have statistical census sources available at micro level of spending power for various items, the South African researchers rely more on private studies. The 1995 October Household Surveys by Statistics South Africa give some insight into buying power for large geographic areas. Publications on national and provincial retail sales are of use at a macro level only. Shopping centre developers and retailers, when assessing small areas, thus have to turn to private research organizations to obtain reliable information. This is a costly exercise and assessing more than one trade area, to perform area analysis, is limited to the national retailers who gather this information through experiences related to a vast network of outlets. A solution to this problem - instant access to purchase power estimates at micro level, with the assistance of GIS related procedure - has thus been actively sought in this study and the findings are therefore discussed henceforth.

From a shopping centre development strategy point of view, purchase power (derived from household numbers and income) and competition is the foundation whereby capture rates can be determined and hence shopping centre size - which is the ultimate link in determining what development strategy needs to be followed. The principle of shopping centre classification is also related to shopping centre size and hence size and function are vital concepts in shopping centre development.

#### **8.1 Geodemographics**

Geodemographics is a term applied to the spatial analysis of the socio-economic structure of settlements and has emerged as an important field of study with the considerable computing power that emerged with the invention of the computer.

“Geodemographics has come into popular use as a shorthand label for both the development and the application of area typologies that have proved to be powerful discriminators of consumer behaviour and aids to “market analysis” (Brown in Masser & Blackmore, 1991:221)

The manipulation of census-derived information is utilized to classify areas by the type of people living in it. A socio-economic and behavioural classification is implicit in the description. The commercial and analytical value of graphical displays of data to highlight interrelationships has also placed new demands on geographical information systems (GIS) in the business world. Classification criteria employed are usually highly subjective and depend on the functional utilization of the required data base; for example, a crime-analysis could classify areas according to the incidence of crime such as violent crimes, petty crimes, domestic crimes, whilst a retail or marketing classification could focus on high spending power, durable spenders, semi-durable spenders, limited spending power, car ownership. Thus, a shopping centre geodemographic data base could also be formulated by, for example, classifying firstly trade areas, secondly spending power, thirdly retail service provision and market rentals and finally growth potential. The ultimate aim in the retail services industry is to fully understand the customer, their behaviour and needs, and the relationship to a specific trade area. Understanding consumer spending patterns for certain categories of goods also assists the developer in planning the tenant mix for a centre. “Cross referenced by geodemographic typology, a clear impression can be gained of variation in propensity to consume a given product or service”(Masser & Blakemore, 1991:232).

The biggest problem with South African typologies, in market research, is the historic ethnic-oriented classifications (see chapter 2). Thus all blacks, when measured against whites are classified as “poor” and all whites are “rich”, which results in an ethnic “poor/rich” syndrome in demographic analyses in South Africa. When linked to the spatial variations in settlement patterns, (apartheid inspired), then the analysis must be distorted. The “natural” forces that dictate settlement patterns are based on income or financial well-being linked to a set of social and cultural variables. Therefore a new

generic methodology, devoid of a primary ethnic classification, is needed in a democratic South Africa, as settlement patterns are changing and citizens re-orient their lives and aspirations according to their new-found freedom of choice. Multi-ethnic settlements are on the increase and a new demographic profile is emerging in the historic “white” areas of South Africa. Geodemographics could introduce such a new perspective for spatial and marketing analysis, provided the classification criteria underplay the dominance of ethnicity. It was thus hypothesized, prior to the commencement of the household surveys, that a spatial orientation would reflect variation in income and expenditure for different geographical classifications such as rural, semi-rural and urban with sub-classifications such as high, middle and low income, which has also been utilized more recently by other retail geographers in private practice (Prinsloo, 1999; Kahn, 1993).

## 8.2 Income and expenditure: results from six household surveys in KwaZulu-Natal.

Research reports on income and expenditure by the Bureau of Market Research and Data Research Africa (May, 1992), indicate that the average income of households in rural areas is less than in urban areas. This income spatial phenomenon seems to be a general trend and is also substantiated by international research (World Bank, 1990). The research findings of the household surveys (chapter 7) also confirm this pattern, where the average monthly income in rural areas such as Harding (R733.50), Howick (R866.40) and Empangeni (R1 470.25) is substantially less than in the townships of Umlazi (R2 395.33), Esikhaweni (R2 412.98) and Phoenix (R3 775.14).

Notwithstanding the above-mentioned evidence of spatial disparity in income earnings, a new approach would need to be adopted in the search to formulate a universal model whereby buying power could be determined in any given area. The household income and expenditure data from the surveys were thus analysed with the aim of finding a relationship between income and expenditure that would supercede geographical boundaries.

### 8.2.1 Data assessment - reporting errors.

One of the most common problems experienced with questionnaires is reporting errors. With regard to income and expenditure, it is the non-response to income or the deliberate under-stating of incomes and with regard to expenditure, it is recalling the exact amounts of averages spent on different items, that create errors in the data set. It is thus fairly often that stated expenditure exceeds that of income (May, 1992). Samples with such obvious errors were, for the purpose of the income and expenditure ratio assessment excluded from the analyses, as the probable accuracy of information superceded that of sample size. The need to verify a trend that can be applied to census-derived information is what is sought first and foremost.

A further problem in sampling expenditure is that, due to time constraints, only the major categories of expenditure such as transportation, food and groceries, clothing, furniture, medical, education, personal services, hardware and miscellaneous are asked. Thus items such as holiday expenditure, savings, taxes, municipal rates, housing bonds, vehicle installments, life and short term insurance, communication, ad hoc retail expenditure are not included. The questionnaire is designed to capture the majority of retail expenditure and adjustments will therefore be required, once a trend has been established, to reflect the actual quantum of retail sales. In this respect secondary sources are also important to make the required adjustments.

### 8.2.2 Retail expenditure as percentage of income

The 1996 South African Census is considered to be the most comprehensive and accurate of all censuses, notably being the first census to be performed under the new democratic dispensation. Census 1996 also gives the most recent household income profile for South Africa per enumerator area. Household expenditure data, however, is not provided and it is therefore an objective of this assessment to employ a methodology whereby retail buying power can be derived by studying the household income profile of any given area.

Expenditure for the categories of food/groceries (excluding meals consumed away from home such as at a restaurant), clothing, alcohol, hardware, personal, furniture and miscellaneous were added and redefined as total average monthly retail expenditure of any given household and then expressed as a percentage of average monthly household income. In order for the data to be compared to that of the HSRC GIS unit, (derived from census 1996) household income categories, a similar income classification was adopted, thus defining ten household income categories. The average percentage retail expenditure for different household income categories was calculated for each of the household surveys conducted for this study. The results are highlighted in table 8.1 and figure 8.1 below.

Table 8.1: Income and retail expenditure - KwaZulu-Natal

No.	Income category	% of household income spent on retail purchases					
		R per month	Empangeni	Esikhaweni	Harding	Howick	Phoenix
1	1-500	50.76	70.00	68.66	55.78	-	-
2	501-1000	47.65	69.62	49.82	55.75	61.77	52.31
3	1001-1500	39.34	52.48	44.49	50.59	50.16	65.65
4	1501-2500	31.75	43.98	35.66	41.66	47.61	45.10
5	2501-3500	35.34	34.33	26.65	19.77	34.93	44.15
6	3501-4500	24.34	34.06	-	30.02	30.73	34.16
7	4501-6000	25.64	27.43	-	-	27.16	36.49
8	6001-8000	19.53	33.79	-	-	22.27	25.08
9	8001-11000	-	10.73	-	-	25.61	18.49
10	11000+	-	11.2	-	-	23.22	27.22

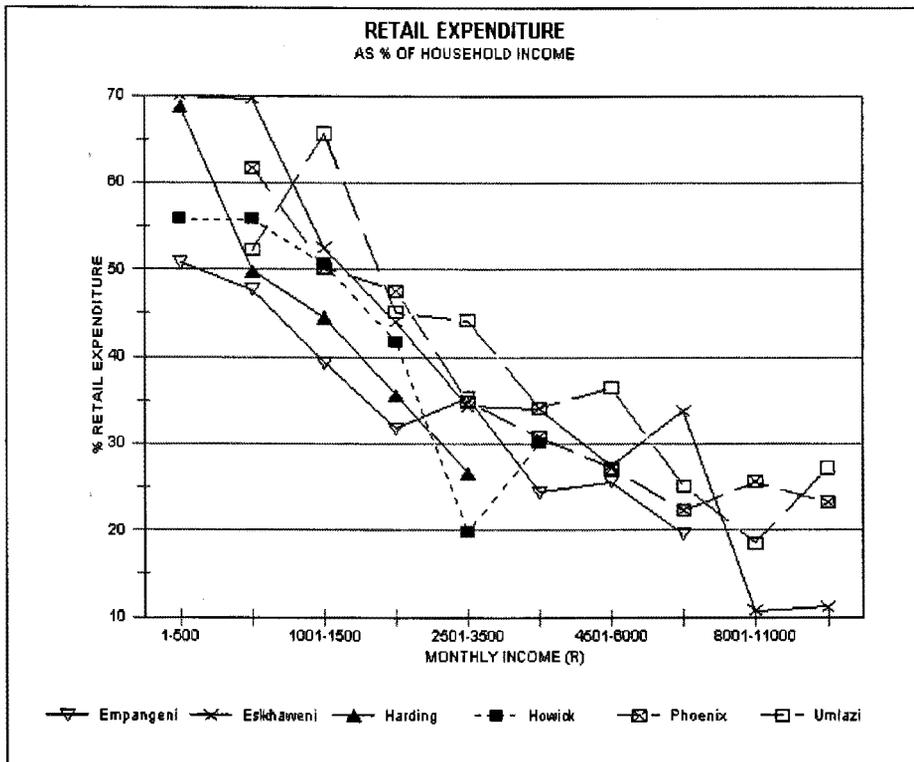


Figure 8.1: Household income and retail expenditure for six areas in KwaZulu-Natal

It is noted, as per table 8.1 and figure 8.1, that the relationship between household income and retail expenditure for the six surveys all follow the same general trend i.e. retail expenditure as percentage of total income, decreases with an increase in household income. The acknowledgement of this trend is not new as considerable evidence exists to this effect in other parts of the world (World Bank, 1990). However, of considerable importance is the fact that these samples were obtained from different geographic areas namely urban, rural and semi-rural and that one of these samples was derived from a predominantly Indian area namely Phoenix.

Two predominant questions are thus raised by the foregoing evidence, i.e.:

- To what extent are the noticeable variations statistically significant?;
- Does a typical white affluent area in South Africa also conform to this trend?

The first question is related to hypotheses testing and the second to universal applicability in order to establish an empirical foundation for the findings, which would require an expansion of the study beyond the socio-economic parameters set for emerging

markets. It is the latter question that will firstly be answered by employing results from a household income and expenditure survey by Warrington and Seymore (1993) conducted in March 1993 in South East Pretoria, with a sample consisting of 295 all-white households. South East Pretoria houses a substantial number (approximately 120 000) of middle to upper income suburbanites and has in its retail structure some of the most progressive centres (Retail Park, Value Mart, Super Regional).

The Pretoria data was selected for its availability to the researcher in primary format (i.e. the original questionnaire data) and due to its remote geographic location, being outside the boundaries of the study area, but within South Africa. The selection was thus seen as significant in order to formulate an universal approach that could possibly verify application for the entire South Africa. The income/expenditure results for the Pretoria survey are given in table 8.2. The same transcending trend similar to that of the KwaZulu-Natal surveys is noted (note figure 8.2 highlights the Pretoria results on the same line graph as those of figure 8.1 and thus exhibits a virtual “cloned” image).

Table 8.2: Income and retail expenditure - Pretoria South East

No.	Income category	% of household income spend on retail purchases
	R per month	Pretoria South East, 1993
1	1-500	-
2	501-1000	58.0
3	1001-1500	50.74
4	1501-2500	53.03
5	2501-3500	34.49
6	3501-4500	38.25
7	4501-6000	28.05
8	6001-8000	25.58
9	8001-11000	20.81
10	11000-16000	18.69
11	16000+	12.06

Source of original data: Warrington & Seymore, 1993

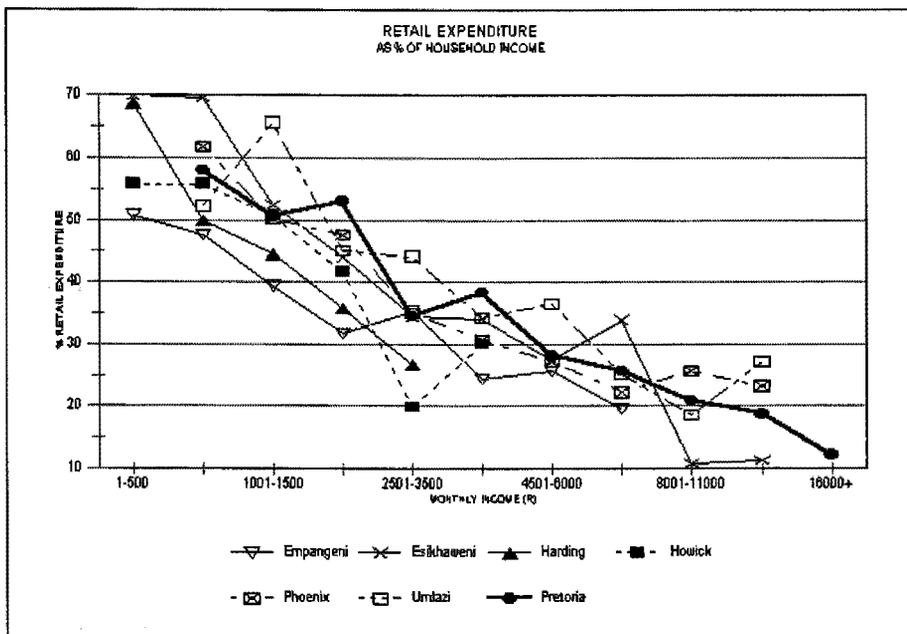


Figure 8.2: Household income and retail expenditure including Pretoria survey

The variations in the graphs were modified by applying an exponential curve to the data. An exponential relationship was found to be the best description for the phenomenon, whilst a linear relationship would intersect with the X and Y-axis, and thus not possible in this case. It is also argued that zero income is highly improbable as even subsistence situations tend to generate some income through bartering. Figure 8.3 thus highlights the exponential curve for the various samples.

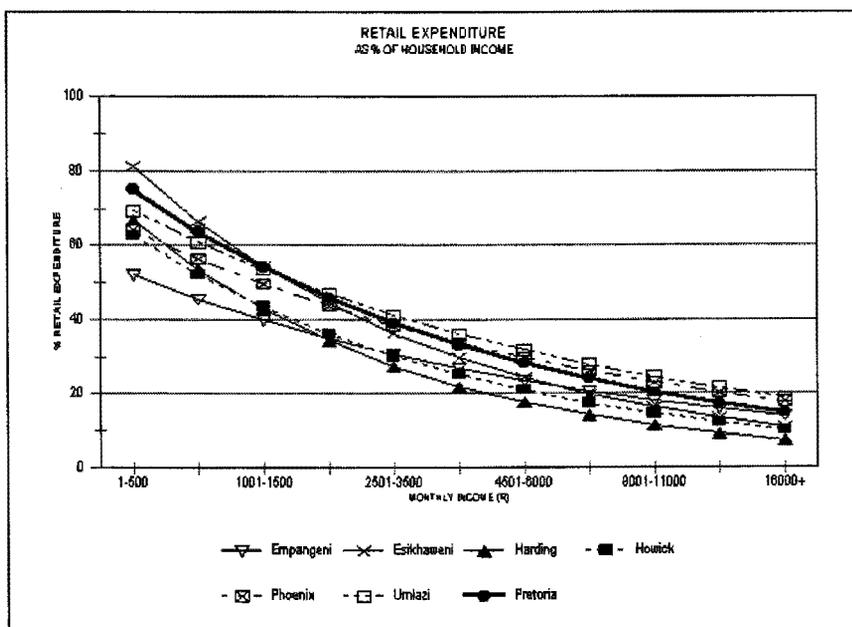


Figure 8.3: Exponential Smoothing

### 8.2.3 Hypotheses testing

It is noted that the graphs have the same general curve, however, it is not a perfect fit, thus it needs to be tested whether the variations are significant. Snedecor's F ratio test for 3 or more parametric samples was utilized to test the following hypotheses:

H0: There is no statistically significant difference between the average amount of household expenditure on retail goods for households belonging to the same income group, irrespective of differences in geographic locations such as rural, semi-rural and urban and irrespective of differences in ethnic composition.

H1: There is a statistically significant difference between the average amount of household expenditure on retail goods for households belonging to the same income group, but residing in different geographic locations such as rural, semi-rural and urban and belonging to different ethnic groups. The variations in the samples can thus be explained by variations in geographic locations and ethnic composition.

The F-test was applied to actual retail expenditure by the individual sample in each income category as well as the expenditure expressed as a percentage of income (note: the results were the same). The null hypothesis was accepted for all income class intervals. The summarized results appear in table 8.3 below whilst the individual samples used in each test are contained in annexure F. The two upper income categories not tested had insufficient data as at least three samples are required.

Table 8.3: Results from the F-test.

Income group (R per month)	Computed value	Critical value 0.01 significant level**	H0 :Accept or reject
1-500	2.49	5.45	Accept
501-1000	0.79	3.65	Accept
1001-1500	1.65	3.34	Accept
1501-2500	2.05	2.96	Accept
2501-3500	1.7	3.04	Accept
3501-4500	0.83	3.26	Accept
4501-6000	0.8	3.65	Accept
6001-8000	0.52	4.13	Accept
8001-11000	1.08	5.08	Accept

\*\*Stoker, table VII

It can thus be said with 99 percent certainty that there is no sufficient statistical variation between the samples to explain retail buying power potential in terms of factors other than household income, such as geographic location, cultural or ethnic factors. It is thus possible to handle the entire data base as belonging to the same universe with regard to calculating the average retail buying power. The retail buying power in any given geographic area can thus be determined provided accurate information on household income is available. It must be stressed that the methodology, based on the causal relationship between household income and expenditure, is to determine the quantum of retail buying power only. The actual spatial expenditure pattern and selection of specific products are influenced by other factors such as location of facilities, personal and cultural issues.

### 8.3 Expenditure on retail goods

It is important for shopping centre developers, when planning the tenant mix and rental levels for various categories of tenants, to have knowledge of the spending power

available to the major categories of retail goods. It is possible to determine spending power for the major categories of retail goods as a derivative of the household income profile.

Table 8.4: Percentage (%) expenditure on major retail categories

Income	Food/ groceries	Clothing	Alcohol	Hard ware	Per sonal	Miscell aneous	Furni ture	Total
R/month	% of household income							
1-500	48.76	3.52	1.65	1.64	0.35	4.22	1.5	61.65
501-1000	35.26	6.38	1.02	0.72	1.05	4.40	3.81	52.65
1001-1500	27.61	6.27	1.43	0.95	1.88	4.13	7.7	49.97
1501-2500	23.41	6.5	1.33	1.74	1.24	3.00	5.38	42.60
2501-3500	18.59	5.57	0.87	0.93	1.34	3.03	5.48	35.80
3501-4500	15.07	7.24	0.78	1.39	1.63	1.98	4.84	32.92
4501-6000	13.65	6.93	1.06	1.34	1.34	3.36	1.95	29.64
6001-8000	14.34	4.63	0.66	1.06	0.66	2.28	1.19	24.81
8001-11000	10.89	4.71	0.61	1.27	0.7	2.61	0.37	21.17
11001-16000	9.79	4.35	0.6	1.51	0.48	1.79	0.7	19.22
16000+	5.77	3.62	0.56	0.54	0.32	1.25	0	12.06

From the above table 8.4 it can be derived that expenditure on food and groceries is the single biggest retail item for all households, with the lower income groups spending a substantial portion of their income on food and groceries, whilst higher income groups spend pro-rata much more on semi-durable goods such as clothing. The results for furniture purchases are of particular importance as they are weighted towards the lower income groups, indicating the popularity of acquiring household goods amongst these groups, (an indicator that has direct bearing on the establishment of national retail furniture chains in the emerging markets of South Africa). It is also worth noting that retailers in the furniture and household goods market have also benefited from extensive electrification, water reticulation and housing schemes by government agencies in rural areas. From the above table it could also be deduced, from a tenant mix and space allocation assessment, that the balance between anchor tenant (food stores) and variety

of line shops (semi-durable, durable goods) would vary according to the household income profile of the trade area, with lower income groups requiring less variety for semi-durable and durable shops.

#### 8.4 Other research findings on income and expenditure

There has been a considerable amount of research on the issues of household income and expenditure within South Africa by the Bureau of Market Research (BMR) and Statistics South Africa which conduct a national household income and expenditure survey every five years (the last survey was executed in 1995). These surveys are more comprehensive than those conducted for this study and address all aspects of household expenditure including non-retail items such as taxes, savings, insurance, communication and education. Most of the studies performed by the BMR, were analysed from an ethnic point of view, for example:

- Income and expenditure patterns of urban Indian multiple households in Durban, 1980 (Loubser, 1982);
- Income and expenditure patterns of urban black multiple households in Durban, 1980 (Loubser, 1982); and
- Income and expenditure patterns of white households in non-metropolitan towns in the RSA, 1991 (Martins, 1992).

However, notwithstanding the ethnic approach, expenditure is also given per income group, and it is therefore possible to verify the income/retail expenditure trends regardless of the varying income categories used for the different studies. The 1995 household income and expenditure survey by Statistics South Africa (Republic of South Africa, 1997) is given for all ethnic groups and applied the same income categories to all, which does assist in the verification of the income/expenditure ratios as a non-ethnic approach. Unfortunately, this data set only lists five income categories, which makes the upper income category, which has no upper limit, difficult to analyse for a causal relationship.

A study on income and expenditure was conducted in Ngwelezana (a township close to Empangeni) in 1984 by the University of Zululand (Frank, 1985) and draws comparisons with 1975 data. Data Research Africa (May, 1992) conducted a very comprehensive survey on income and expenditure of 26 regions and 5 310 households of KwaZulu, in 1991. Unfortunately the results failed to list expenditure per income group and rather focussed on results for geographic areas. A selection of the South African studies will accordingly be highlighted to explore the income/expenditure relationship. Data from different time periods are also utilized to assess if the relationship transcends time.

#### 8.4.1 Bureau of Market Research, South Africa.

The descending nature of food expenditure as a percentage of household income is noted in all of the following tables. Percentage expenditure on clothing and furniture decreases slightly with an increase in income.

Table 8.5 : Income and expenditure by black households, Durban 1985 on selected retail items

Income group	Food	Clothing, and footwear	Furniture and equipment
R per annum	% of income		
0 - 1 999	55.81	8.29	5.00
2 000 - 2 999	49.00	8.10	9.29
3 000 - 3 999	43.63	7.38	8.57
4 000 - 4 999	47.95	8.22	8.36
5 000 - 5 999	41.11	8.62	9.09
6 000 - 6 999	41.16	8.83	7.60
7 000 - 7 999	39.84	8.79	7.68
8 000 - 9 999	35.84	7.63	8.83
10 000 - 11 999	33.66	11.16	9.30
12 000 - 15 999	27.09	8.64	7.40
16 000+	20.49	9.72	8.85
Average	34.19	8.98	8.39

Source: Van Wyk, 1986

Table 8.6 : Income and expenditure by Indian households, Durban 1985 on selected retail items

Income group	Food	Clothing, footwear and accessories	Furniture and household equipment
R per annum	% of income		
0 - 3 499	41.13	6.51	7.16
3 500 - 5 499	39.85	5.56	5.02
5 500 - 7 499	34.52	5.39	6.30
7 500 - 9 499	31.61	7.31	7.10
9 500 - 11 499	32.93	6.90	7.36
11 500 - 13 499	29.87	5.25	5.16
13 500 - 16 499	27.94	7.12	6.75
16 500 -19 499	22.94	5.39	6.67
19 500 - 23 999	21.88	7.62	6.27
24 000 - 28 499	26.02	6.31	6.23
28 500+	16.99	5.88	5.04
Average	26.83	6.32	6.25

Source: Martins, 1986

The variations in income categories for the different ethnic groups (see table 8.6 and 8.7) should be noted. It is an issue which complicates comparative assessments .

Table 8.7 : Income and expenditure of white households in non-metropolitan towns in the RSA,1991, on selected retail items

Income group	Food	Clothing, footwear and accessories	Furniture and household equipment
R per annum	% of income		
<15 000	26.16	4.88	3.51
15 000 - 29 999	19.09	5.36	5.36
30 000 - 44 999	16.93	5.52	3.15
45 000 - 59 999	14.59	4.71	2.99
60 000 - 74 999	13.52	4.63	3.01
75 000 - 104 999	12.62	5.13	2.98
105 000+	8.79	4.34	3.89
Average	12.82	4.79	3.47

Source: Martins, 1992

#### 8.4.2 Statistics South Africa

The same general pattern, compared to the foregoing tables, is noted with regard to food and clothing expenditure.

Table 8.8 : Income and expenditure of households in KwaZulu-Natal, 1995

Income group	Food	Clothing, footwear and accessories	Furniture and household equipment
R per annum	% of income		
0 - 6 867	58.10	6.64	1.66
6 868 - 12 659	43.62	7.61	2.74
12 660 - 23 939	32.88	7.53	4.68
23 940 - 52 799	22.73	6.47	4.95
52 800 +	10.03	3.64	3.14
Average	18.14	5.00	3.69

Source: Statistics South Africa, 1997

#### 8.4.3 International research

The International Labour Office (ILO), Geneva, published in 1974 the results of an international study on income and expenditure for the period 1960 to 1972. Selections from the publication for Africa, Asia, Latin America, North America and Europe are highlighted for the categories of food, clothing and furniture only as shown in tables 8.9 to 8.14. The different monetary denominations are substituted with lowest to highest numeric values.

Again the same pattern with regard to income and food expenditure is noted. Variations in the clothing and furniture patterns are, however, observed.

It is therefore interesting to note that the expenditure patterns for Nairobi are remarkably comparable with those of South Africa.

Table 8.9 : Income and expenditure of households in Nairobi, Kenya, 1968-69

Income group	Food and drink	Clothing and footwear	Furniture , furnishings, etc
Per annum	% of income		
1 (Lowest)	57.2	4.7	1.3
2	52.2	6.3	3.6
3	55.0	4.8	3.8
4	48.9	6.6	3.8
5	46.9	5.1	3.5
6	44.1	5.0	4.8
7	37.6	4.3	2.8
8	33.0	6.5	3.6
9 (Highest)	26.9	5.0	3.8
Average	39.2	5.4	3.6

Source: International Labour Office, 1974

Furthermore, the higher comparative average expenditure on clothing is noteworthy in the case of Mexico.

Table 8.10: Income and expenditure of households in Mexico, 1968

Income group	Food and drink	Clothing and footwear	Furniture , furnishings, etc
Per annum	% of income		
1 (Lowest)	63.9	8.9	5.1
2	62.3	10.0	4.8
3	58.0	11.0	4.6
4	49.5	12.5	5.1
5	39.6	13.3	4.9
6	32.6	13.0	4.3
7 (Highest)	21.9	12.5	3.8
Average	43.7	12.4	4.7

Source: International Labour Office, 1974

The comparatively higher percentages of income spent on food and clothing are an indication of greater poverty by comparison with other emerging markets at the time of the survey, in the case of India.

Table 8.11: Income and expenditure of households in cities in India, 1965-66

Income group	Food and drink	Clothing and footwear	Furniture , furnishings, etc
Per Annum	% of income		
1 (Lowest)	76.6	0.3	1.9
2	73.0	1.2	2.0
3	70.1	1.9	2.1
4	64.8	4.1	2.0
5	62.2	2.5	2.1
6	64.2	3.9	2.0
7	57.8	5.9	2.4
8	60.7	6.4	2.4
9	53.2	4.1	2.3
10	50.1	10.3	2.2
11	44.4	8.0	2.1
12 (Highest)	36.2	5.4	6.2
Average	55.6	5.3	2.7

Source: International Labour Office, 1974

The Korean expenditure pattern is also weighted more towards food and clothing.

Table 8.12: Income and expenditure of households in Korea (Rep.of), 1971

Income group	Food and drink	Clothing and footwear	Furniture , furnishings, etc
Per annum	% of income		
1 (Lowest)	52.9	9.5	2.0
2	51.8	10.7	1.7
3	50.7	10.2	1.8
4	48.2	10.2	1.9
5	46.1	10.2	2.7
6	43.6	10.4	3.9
7 (Highest)	36.4	11.6	5.0
Average	41.4	9.1	2.2

Source: International Labour Office, 1974

Variations in the lowest and highest percentages between countries are noted (but follow the same trend) and could be explained by variations in living standards and national wealth. As the general wealth of citizens increases (compare United States and United Kingdom with other tables), the variations between low and high income are visible and the expenditure on semi-durable and durable goods increases (a factor of higher disposable income).

Table 8.13: Income and Expenditure of Households in the United States, 1960-61

Income group	Food and drink	Clothing and footwear	Furniture , furnishings, etc
Per annum	% of income		
1 (Lowest)	29.5	5.6	6.7
2	30.9	6.1	7.2
3	29.3	7.5	7.6
4	27.6	7.8	8.4
5	26.9	8.3	8.5
6	26.5	8.6	8.8
7	25.8	9.3	8.9
8	25.5	9.9	8.9
9	23.9	10.5	8.8
10 (Highest)	21.0	10.6	8.8
Average	26.0	9.0	8.6

Source: International Labour Office, 1974

Table 8.14: Income and expenditure of households in the United Kingdom, 1972

Income group	Food and drink	Clothing and footwear	Furniture , furnishings, etc
Per annum	% of income		
1 (Lowest)	35.0	5.5	5.0
2	33.0	6.5	6.2
3	32.9	7.1	6.2
4	31.6	8.1	6.9
5	32.4	8.4	5.9
6	31.4	8.4	6.3
7	31.8	9.2	6.9
8	31.5	9.2	6.3
9	29.4	9.5	7.8
10 (Highest)	25.4	9.7	8.3
Average	29.5	9.2	7.3

Source: International Labour Office, 1974

A general model on income and retail expenditure would therefore have to be adaptable or be calibrated for each country individually as patterns of wealth (intensity) vary from country to country.

## 8.5 Formulating a buying power model

The objective is to utilize the principle of the causal relationship between income and retail expenditure, as verified above, to formulate a model whereby the buying power of any geographic area in KwaZulu-Natal can be calculated by means of the 1996 census data for Small Marketing Areas (HSRC, 1999) and in particular the household income profile supplied. For the model to be of practical value and to be true to reality, it needs to be verified, tested or calibrated against actual retail sales.

The steps in formulating the model are as follows:

Step 1	Define the critical information required
Step 2	Verify the accuracy of the information
Step 3	Structure the model
Step 4	Apply empirical ratios and calibrate the model
Step 5	Formulate the final model

### 8.5.1 Critical information required

The following critical information is required to formulate a geodemographic buying power model:

- Accurate household income profiles;
- Accurate household retail expenditure ratios;
- Actual retail sales;

Household income profiles for KwaZulu-Natal are available in GIS format for Small Marketing Areas highlighting the following data as per table 8.15 (see chapter 6):

Table 8.15: Household income categories

Variable	Description for derived annual household income
HR_NONE	none
HR2400	R1 - R2 400
HR6000	R2 401 - R6 000
HR12000	R6 001 - R12 000
HR18000	R12 001 - R18 000
HR30000	R18 001 - R30 000
HR42000	R30 001 - R42 000
HR54000	R42 001 - R54 000
HR72000	R54 001 - R72 000
HR96000	R72 001 - R96 000
HR132000	R96 001 - R132 000
HR192000	R132 001 - R192 000
HR360000	R192 001 - R360 000
HR_MORE	R360 001 or more
HR_INST	Institution/hostel
HR_UNSP	Unspecified

Source: HSRC, GIS Centre, 1999

The household retail expenditure ratios are as per the empirical research for this study, as well as derived from the official publications by the Bureau of Market Research and Statistics South Africa.

Retail sales for South Africa are published on a provincial basis by Statistics South Africa. The retail sales for 1996, to coincide with census 1996, were utilized (Republic of South Africa, 1997).

### 8.5.2 Verification and adjustments of the critical variables.

Some practical problems encountered with census 1996-derived household income classification that needs adjustments are the zero income group and the number of unspecified incomes. The ideal scenario is to account for every household in terms of income. The unspecified income can thus be re-assigned by it being distributed pro-rata over the known profile. The zero income class, as well as lowest income class accounts for a significant number of households which, if applied as given, would account for households in those categories earning approximately R150 per month in 1996. With respect to zero income households, May (1992:45) reports the following findings after an extensive survey in KwaZulu:

“The questionnaires for all households who reported that they had no income were individually checked. Only those cases in which it was absolutely clear that there was no possible source of income are included in the table”.

The table referred to by May indicates 1 percent of households in urban areas and 1.1 percent of households in rural areas to be without income of any kind. The household surveys conducted for this study listed no households without any income. Furthermore, the 1995 household income and expenditure survey in KwaZulu-Natal by Statistics South Africa, gives the average income for the lowest income group (R0 - R6 867 per annum) at R426.25 per month. The discrepancy with census information can thus be rectified by redefining the lowest income group to include for the following ( HR\_NONE, HR2400 and HR6000 )(refer to table 8.15).

The household retail expenses to income ratio, as researched for this study, only sourced the main categories of retail expenditure and therefore constitutes in all probability an understatement of the total actual retail expenditure. This error is addressed by including other, more comprehensive empirical assessments by leading institutions such as the Bureau for Market Research and Statistics South Africa.

Whilst KZN is fairly isolated, there are in-and-outflows of retail buying power brought about through “cross border”(provincial and international) shopping and tourism. The retail sales figures published by Statistics South Africa are defined per province, yet retail sales in many of KwaZulu-Natal's border towns are generated from outside the provincial boundaries. For example, the amount generated from outside the study boundaries is substantial in the case of Kokstad and Matatiele (i.e. 70% of sales originate from outside the KwaZulu-Natal boundaries and amount to approximately R360 million in 1996). Outflow of retail sales through “cross border” shopping in the northern parts from KwaZulu-Natal, however, is not as substantial and amounted to approximately R29 million in 1996.

The impact of tourism on the economy of KwaZulu-Natal, as stated before, is substantial and contributed approximately ten percent of gross domestic product (GDP) in 1996 (KwaZulu Tourism Authority, 2000). The portion of tourism spend on retail sales has been extracted from total tourism spend and is based on estimates (note: accurate measured data is not available). To avoid an over-estimation of buying power potential of KwaZulu-Natal households, a buying power model should be calibrated to reflect a sales figure slightly lower than the actual figure supplied by Statistics South Africa. The following table 8.16 summarizes the estimated nett gain in retail sales generated from outside the borders of KwaZulu-Natal.

Table 8.16: In-and-outflow of retail sales in KwaZulu-Natal, 1996

Inflow	Value (millions)	Outflow	Value (millions)
<b>Cross border shopping*</b>			
From Eastern Cape to Kokstad, Matatiele, Ixopo, Harding, Port Edward	R 360	From Charlestown to Volksrust	R 11
From Lesotho to Matatiele and Underberg	R 42	From Van Reenen to Harrismith	R 11
From Swaziland to Pongola and Ingwavuma	R 7	From Paulpietersburg to Piet Retief	R 7
From Mozambique to Manguzi	R 3		
Sub total	R 412		R 29
<b>Tourist shopping</b>			
Total domestic, international leisure and business travel** (Less portion generated from KwaZulu-Natal population)**	R 1 541 (R 766)	Total domestic, international and business travel***	R 115
Sub total	R 775		R 115
Total inflow	R 1 187	Total outflow	R 144
Nett additional retail sales	R 1 043		

\* Not included under tourism sales. Estimates based on application of buying power model and assumed market share.

\*\* KwaZulu-Natal Tourism Authority, 1998 (Approximately 27% of tourism spent is defined as "shopping" A clear indication of retail spent could not be obtained. Two thirds of domestic market originate from within KwaZulu-Natal).

\*\*\* Assumed value equals 15 percent of "portion generated from KwaZulu-Natal population".

It is concluded from table 8.16, that the estimated nett retail sales generated from outside the borders of KwaZulu-Natal in 1996 amounts to approximately 4.6 percent of total sales. There is, however, concerns that the tourism definition of "shopping" may not necessarily be similar in all categories to that of what is defined as retail sales by Statistics South Africa. It is thus submitted, in the light of the economic base assessment in chapter 3, that the actual tourism spent on retail is in all probability slightly lower than the estimates given in table 8.16. Nevertheless, the total contribution of shoppers originating from far on shopping centre viability is, as stated in chapter 3, negligible (Ghyoot 1992).

### 8.5.3 Structure of the buying power model

The basic calculations to be structured for the model, whereby the census-derived household income profiles are utilized to determine retail buying power, are summarized

by the following diagram (figure 8.4).

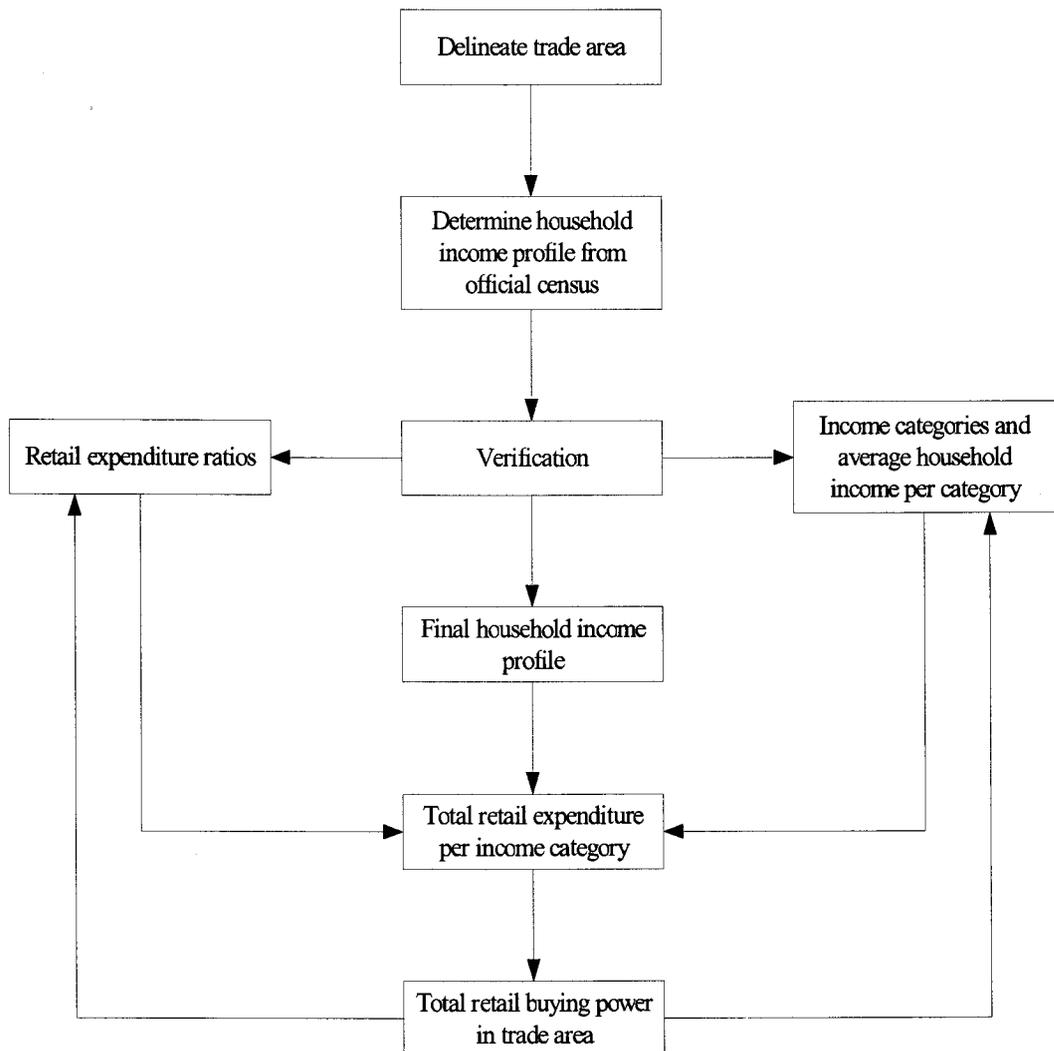


Figure 8.4: Retail buying power assessment model

The basic steps that need to be followed and illustrated by the above model (figure 8.4), are:

- Define and delineate trade area and determine household income profiles (numbers) within the trade area by means of census-derived information;
- Verify census-derived information for accuracy and adjust census profile if necessary to reflect new income groups and redistribution of unspecified samples;
- Multiply average household income per income group with frequency of households in group and average percentage spent on retail sales;
- Add individual results for income groups to obtain total buying power;
- Calibrate and re-verify income and expenditure ratios (as a feedback mechanism) by applying the model to a trade area for which the actual sales are known.

## 8.5.4 Model calibration

To determine model accuracy, the model is applied to and calibrated for the entire KwaZulu-Natal province. The calculations as well as exponential smoothing of the household retail expenditure percentages was performed on Corel Quattro Pro, and the main outputs are given in table 8.17.

Table 8.17: Buying power calculation for KwaZulu-Natal

Household income groups	Number of households **	Income groups adjusted. R/month	Households adjusted	Empirical retail expenditure % (Smoothed)	Buying power (mill.)( c x d x e/100) x 12.6***
a	b	c	d	e	f
HR_NONE	247 945	450	707611.23	65.11	R2 612.3
HR2400	109 353	750	233783.68	56.27	R1 243.1
HR6000	264 502	1250	167120.52	48.64	R1 280.2
HR12000	205 433	2000	161334.90	42.04	R1 709.1
HR18000	146 854	3000	90045.74	36.34	R1 236.9
HR30000	141 770	4000	69475.17	31.41	R1 099.8
HR42000	79 126	6000	73536.71	27.15	R1 509.3
HR54000	61 050	8000	51151.02	23.46	R1 209.6
HR72000	64 619	10000	51735.96	20.28	R1 321.9
HR96000	44 948	16000	31101.66	17.53	R1 099.1
HR132000	45 462	30000	19333.55	15.15	R1 107.1
HR192000	27 330	44000	5407.79	13.09	R 392.4
HR360000	16 989	-	-	-	-
HR_MORE	4 752	-	-	-	-
HR_INST	3 728	-	-	-	-
HR_UNSP	197 777	-	-	-	-
Total	1661 638		1 661 638		R15 821.4

\*\*Source: HSRC, GIS Centre, 1999

\*\*\* Allowance for annual "bonus" or additional income over and above "normal" salaries

The actual retail sales for KwaZulu-Natal 1996 were R22 585.4 million. The empirical model derived from the household surveys thus accounts for only 70.05 percent of the actual sales, which substantiates the notion stated before, that the survey, due to practical limitations, does not account for all retail sales (It is, however, interesting to note that cash sales accounted for 73,3 percent of all retail sales in South Africa in 1996. It is thus conceivable that the information supplied by the respondents relates mainly to “normal” cash expenditures).

The account of retail purchases by white households in non-metropolitan towns in the RSA, 1991 (Martins, 1992) and the 1995 Household Income and Expenditure Survey for KwaZulu-Natal (Republic of South Africa, 1997) were utilized for the calibration exercise. A single set of data addressing the total household income spectrum of the South Africa market in the detail required for this model could not be obtained from reliable secondary sources. The two sets of percentages derived from the two secondary sources are thus highlighted as follows:

Table 8.18: Adjusted retail expenditure percentages for calibration

Income groups	Derived from reports		After exponential smoothing		
	BMR (%)	StatsSA (%)	BMR (%)	StatsSA (%)	BMR,StatsSA combined (%)
450	-	77.5	71.61	69.29	71.94
750	-	64.25	64.83	62.21	65.07
1250	-	54.28	58.69	55.85	58.85
2000	-	42.64	53.12	50.14	53.22
3000	-	-	48.09	45.01	48.14
4000	46.07	-	43.53	40.41	43.54
6000	38.74	-	39.41	36.28	39.38
8000	34.99	-	35.67	32.57	35.61
10000	30.27	-	32.29	29.24	32.21
16000	28.27	-	29.23	26.25	29.13
30000	28.88	-	26.46	23.57	26.35
44000	23.76	22.17	23.96	21.16	23.83

The application of the expenditure ratios for three scenarios as per the column “After Exponential Smoothing” of the above table, to table 8.17 column e, renders the following total retail buying power assessment:

Table : 8.19: Calibrated retail sales

Data sources	Predicted retail sales, 1996	Actual retail sales, 1996	% variance
Bureau of Market Research	R21 790.7million	R22 585.4million	3.519
Statistics South Africa	R20 215.1million	R22 585.4million	10.49
BMR and StatsSA Combined	R21 791.4million	R22 585.4million	3.516

The resulting exponentially smoothed data from the Bureau of Market Research combined with that of Statistics South Africa, gives the best results and accounts for 96.4% of KwaZulu-Natal retail sales for 1996. It therefore represents the closest real fit as it adheres to the indication that it needs to be slightly less than one hundred percent to reflect true buying power generated from within KwaZulu-Natal.

#### 8.5.5 Formulation of buying power model

The retail buying power model is formulated as:

$$C_i = \sum_{i=1}^n A_i F_i B_i$$

Where;

$C_i$  = Buying power in trade area  $i$

$A_i$  = Average or median value of income, group  $i$

$F_i$  = Frequency of households in income group  $i$  for trade area  $i$

$B_i$  = Empirical ratio (%) of income diverted to retail purchases in group  $i$

The above model can thus be applied to any given area in KwaZulu-Natal, large or small, and in this way projections of retail sales can be made by referring to 1996 as the

base year. Once the model has been calibrated at provincial level, the empirical ratio  $B_i$  is applicable to all trade areas.

#### 8.5.6 Model testing

The calibrated model is tested, first for smaller geographic areas within KwaZulu-Natal for which the retail sales (1996) are known and secondly for other provinces and South Africa as a whole to assess the universal applicability of the model within South Africa.

Statistics South Africa specified the retail sales for five different geographic areas based on district boundaries (figure 8.5) in KwaZulu-Natal, namely Durban-Pinetown, Pietermaritzburg-Camperdown, North and South Coast (one region), Newcastle-Madadeni and Rest of KwaZulu-Natal.

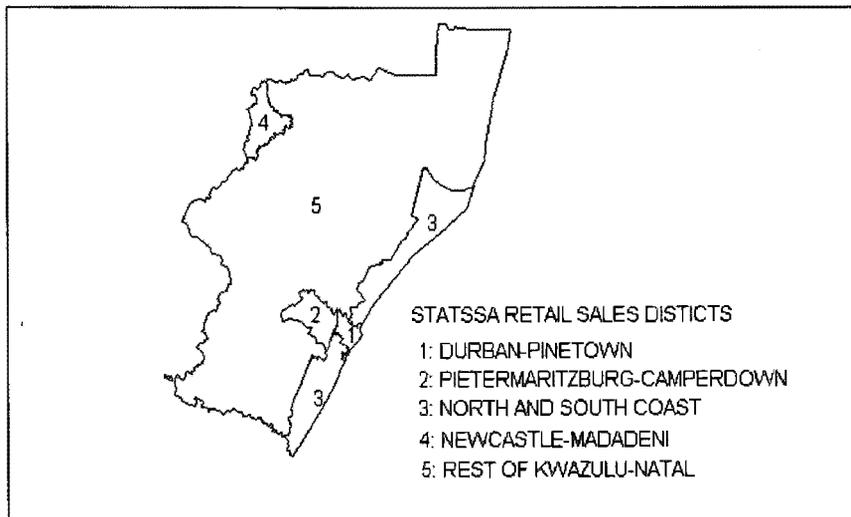


Figure 8.5: Retail sales districts, KwaZulu-Natal

The accuracy of the test depends on matching these areas with empirical trade areas. The Newcastle-Madadeni trade area has been empirically researched (chapter 7, figure 7.1) and is a good match with that of the district boundaries (only a small portion in the north where Charlestown is located, should be excluded - approximately 4 000 or 1.26 percent of the district population). The Durban-Pinetown, North Coast and South Coast regions, however, are a mismatch with the known spatial shopping behaviour as it include places

such as Inanda (north of Durban) and Umbumbulu (South of Durban), of which the population shop mainly in the Durban area. The solution to this mismatch-problem was to combine all three regions and redefine it as the coastal region. The model will thus be tested for accuracy on four smaller geographic areas within KwaZulu-Natal. Table 8.20 gives the household income profile for the different geographic areas utilized in the test areas. The method of calculating the output is the same as described with table 8.17 with one adjustment, namely substituting the ratio's of column e with that given in the last column of table 8.18. The output of the model (predicted retail sales) is compared with that of the actual sales given by Statistics South Africa, in table 8.21.

Table 8.20: Household income profile for four geographic areas in KwaZulu-Natal, 1996.

Household income groups	Number of households**				
	Coastal region (Durban, North & South Coast)	Pietermaritzburg-Camperdown	Newcastle-Madadeni	Rest of KwaZulu-Natal	Total
HR_NONE	90306	24072	8075	125492	247945
HR2400	33051	7608	3867	64827	109353
HR6000	99269	20580	9398	135255	264502
HR12000	94500	18267	7374	85292	205433
HR18000	82328	16415	5651	42460	146854
HR30000	86711	15737	5204	34118	141770
HR42000	52730	8378	2889	15129	79126
HR54000	41375	6618	2292	10765	61050
HR72000	45637	6993	2424	9565	64619
HR96000	32402	4946	1600	6000	44948
HR132000	33417	5245	1524	5276	45462
HR192000	20664	3159	824	2683	27330
HR360000	13093	1808	424	1664	16989
HR_MORE	3306	408	110	928	4752
HR_INST	1499	403	73	1753	3728
HR_UNSP	99364	22421	6263	69729	197777
Total	829652	163058	57992	610936	1661638

\*\*Source: HSRC, GIS Centre, 1999

Table: 8.21: Model output: Comparative assessment

Area	Predicted sales (million)	Actual sales (millions)	Variance (%) Predicted vs Actual	Variance value (millions)
Coastal region	R13 791.6	R13 869.3	- 0.56	R 77.7
Pietermaritzburg- Camperdown	R 2 330.7	R 2 444.2	- 4.87	R113.5
Newcastle-Madadeni	R 734.2	R 728.2	0.82	R 6.0
Rest of KZN	R 4 955.0	R 5 543.7	-11.88	R 588.7
Total	R21 811.5*	R22 585.4	- 3.55	R 773.9

\* Rounding errors may occur

A perfect fit of the model would have grouped the variances very close to -3.5 percent (correlation coefficient of predicted vs actual: 0.9989). The variations, however, can be explained:

- The coastal region will receive pro-rata more retail spending from tourist trade flowing into the province, hence the inclination of the variance towards zero but surprisingly, not above zero. Given the assumed impact of tourism on retail sales by KwaZulu-Natal Tourism Authority (1998), the deviation should have been approximately 3.5 percent above zero to account for a total additional value of approximately R1 billion (70 percent of tourism retail spent). The impact of tourism on retail sales, as described in chapter 3, may not be as substantial as indicated by the tourism authorities' assessment;
- The Pietermaritzburg-Camperdown prediction is approximately 1.32 percent below the expected average deviation (-3.55 percent) which indicate that there is an inflow of retail buying power from the surrounding rural areas not accounted for by the model (based on district trade area boundaries). This is consistent with the empirical research findings of the Howick trade area (chapter 7) where it is known that a substantial outflow of retail buying power from the Howick trade area favours Pietermaritzburg;
- The variation of the Newcastle-Madadeni prediction is also not "surprising" as

the empirical trade area is slightly smaller than the district boundaries (see table 8.16), however, having allowed for the outflow to Volksrust, the model is still approximately 2 percent “optimistic”. No additional “tourism spend-allowance” can therefore be added to the predicted sales of Newcastle; and

- The relative big deviation (8.33 percent below the total average of -3.55) for the Rest of KwaZulu-Natal is related to the poor fit of the district boundaries of KwaZulu-Natal in the Harding-Kokstad-Matatiele-Ixopo area compared to their empirical trade areas. Approximately R402 million in retail buying power originates from the Eastern Cape and Lesotho (table 8.16). It is also evident, that the “Rest of KwaZulu-Natal” or rural areas, also benefits from the inflow of tourism retail spent (approximately R300 million, 1996).

The different geographic areas to which the model was applied consists of all ethnic groups and is reflective of the demographic composition of most emerging markets in South Africa. The model has thus been successfully applied to multi-ethnic demographic areas and thus substantiates the research finding that a universal statistical model to determine retail buying power in South African markets, transcending ethnic boundaries, is possible.

#### 8.5.7 Application of the KwaZulu-Natal buying power model to South African provinces.

The household income profile for the eight other provinces, excluding KwaZulu-Natal, 1996 is given in table 8.22 and the predicted versus actual retail sales for all the provinces and the total for South Africa is given in table 8.23. The method of calculating the predicted sales is exactly the same as described under the previous point (8.5.6) and utilizes the same *Bi*-ratio’s applied to KwaZulu-Natal.

Table 8.22: Household income profile for eight South African Provinces, 1996.

Household income groups	Number of households**							
	Eastern Cape	Free State	Gauteng	Mpumalanga	Northern Cape	Northern Province	North West	Western Cape
HR_NONE	252143	70613	165758	74338	13034	167291	100793	51054
HR2400	142918	61831	50347	48550	9931	118054	56150	14627
HR6000	283103	130431	155150	107178	38159	224771	128338	69070
HR12000	195221	92933	199288	82336	30097	137530	103871	106002
HR18000	106169	65375	207103	57489	22062	68284	84802	116858
HR30000	85612	52539	215237	46957	17962	55452	74710	125916
HR42000	44185	27107	126271	23846	9354	28513	37201	81351
HR54000	34468	20273	95973	17127	7046	19615	24910	66646
HR72000	33030	21497	109430	17692	7839	18134	23047	73733
HR96000	22494	14320	79752	11946	6314	11340	13932	50982
HR132000	22036	14107	91608	11863	5001	10224	12119	50568
HR192000	12480	7621	67708	7031	2670	5494	6348	29998
HR360000	7717	4197	53837	4120	1496	4245	3844	19379
HR_MORE	2605	1363	15486	1193	498	2031	1270	6274
HR_INST	1431	1114	2310	935	564	1863	808	2357
HR_UNSP	87097	41059	332296	92521	16496	110725	69182	120655
Total	1332709	626380	1967554	605122	187523	983566	741325	985470

\*\*Source: HSRC, GIS Centre, 1999

Table 8.23: Model output: Comparative assessment for South Africa provinces

Area	Predicted sales (million)	Actual sales (millions)	Variance (%) Predicted vs Actual	Variance value (millions)
Eastern Cape	R 13 057.0	R 10 653.9	18.40	R 2 403.1
Free State	R 7 145.7	R 6 933.2	2.9	R 212.5
Gauteng	R 39 970.1	R 47 587.8	-19.05	R 7 617.7
KwaZulu-Natal	R 21 791.4	R 22 585.4	-3.64	R 794.0
Mpumalanga	R 6 900.7	R 6 577.0	4.69	R 323.7
Northern Cape	R 2 423.8	R 3 330.6	-37.4	R 906.8
Northern Province	R 8 614.0	R 4 556.8	47.1	R4 057.2
North West	R 8 188.5	R 6 423.6	21.55	R1 764.9
Western Cape	R 20 012.3	R23 965	-19.75	R3 952.7
Total	R128 103.5	R132 613.3	-3.52	R4 509.8

The conclusions from table 8.23 are:

- The total predicted retail sales for South Africa, 1996, is 3.5 percent below actual sales and the model output is thus consistent with the principle that an allowance has to be made for sales generated from international visitors. The estimated contribution of tourism trade on the GDP of South Africa is between 4 and 5 percent (Financial Mail, 22 September 2001:44). Tourism, thus, still plays a minor role in the South African economy compared to Western Europe where it contributes between 10 and 15 percent;
- the accuracy of the model varies substantially at provincial level and whilst some deviations can be explained based on the in-and-outflow of shopping trips (Free State, Gauteng, KwaZulu-Natal, Mpumalanga, Western Cape) other deviations warrants further investigation (Eastern Cape, Northern Cape, Northern Province and North West);
- The substantial deviation (47.1 percent) in the Northern Province is of particular concern regarding the general applicability of the KwaZulu-Natal *Bi*-ratio to other provinces, alternatively, the pro rata distribution of the unspecified incomes in the model should be weighted more towards the lower income groups. The general impression is also that the model tends to substantially overestimate the retail sales in the poorest provinces (Northern Province, North West and Eastern Cape);
- It is thus concluded that the application of the buying power model warrants calibration in respect of provinces other than KwaZulu-Natal. However, the calibration of the model for other provinces falls outside the scope of this study.

#### 8.5.8 Advantages and disadvantages of the buying power model

Advantages:

- Easy and universal application within KwaZulu-Natal by means of GIS;
- Very accurate once calibrated;
- Can be used to predict future retail sales, working from a base year;

- Applicable to all socio-economic groups;
- Can assist to understand the flow of retail spend across trade area and district boundaries.

Disadvantages:

- Focus on retail sales only;
- Limitations in prediction - can only predict sales in the short term and cannot detect major short term demographic shifts brought about by migration, employment and mortality. Demographic changes, however, are by nature slow over time (White & Gray, 1992);
- Would decrease in micro accuracy as the time periods increase away from the base year;
- Requires accurate census information on household numbers and income at enumerator level.

## CHAPTER 9

### FORMULATING AN INTEGRATED COMMERCIAL ASSESSMENT MODEL

The research findings of chapter 7 highlighted trade area demarcation and established that emerging market shopping behaviour in KwaZulu-Natal conforms in general to the principle of visiting the nearest centre that fulfills the shopping need. Thus the weak performances of shopping centres in townships are linked to the attraction of retailing in nearby central business districts. Chapter 8 established a causal relationship between household income and average retail expenditure, which enables a quick and accurate assessment of buying power for any given geographic area in KwaZulu-Natal.

The final step in the market potential assessment process is to link buying power, of the delineated trade area, to shopping centre financial feasibility. Dawson (1983 :40) defines this stage of trade area assessment (as highlighted in chapter 2) as “site potentials” incorporating capture rates, productivity rates and sizing of centres. This chapter deals with the integration of buying power of the trade area with the financial parameters upon which shopping centre feasibility and viability assessments are based.

#### 9.1 Financial viability parameters

A shopping centre is first and foremost an economic entity that is expected to render a return to the investor(s). Return on investment (ROI) is defined as the nett income (year1) divided by the capital investment, expressed as a percentage (Rode’s Report, 1994). In the case of shopping centre investment, the detail calculation of nett income is total rental income less operational expenses such as property rates, security, cleaning, insurance and maintenance (before tax).

It stands to reason that, if the operational expenses exceed the rental income, the centre would be making a loss and be no longer financially viable and would therefore constitute the worst possible case in shopping centre investment. It also stands to reason

that an investor would pre-suppose a certain return, but may vary between different types of investors such as pension funds, development corporations and private investors (utilizing borrowed capital to finance either all or a portion of the financial requirements). There are, however, some industry benchmarks which are published on a quarterly basis by Rode's Retail Report. Defined as capitalization rates in the Rode's Report, the rates are given per main geographic area as well the traditional four-tier classification of local convenience (300 m<sup>2</sup> - 1 200 m<sup>2</sup>), neighbourhood (5000 m<sup>2</sup> - 10 000 m<sup>2</sup>), community (10 000 m<sup>2</sup> - 30 000 m<sup>2</sup>) and regional (30 000 m<sup>2</sup> +) centres, as well as for retail warehouses (approximately 10 000 m<sup>2</sup>) and street-front shops (no specific size). The mean capitalization rates given for the foregoing centre types, excluding retail warehouses, by Rode's Report (2000:3) are highlighted in table 9.1 for the second quarter of 2000.

Table 9.1: Capitalization rates (%) for shopping centres, South Africa 2000:2

Geographic Area	Shopping centre types				
	Regional	Community	Neighbourhood	Local	Street front
Witwatersrand	11.5	12.9	14.5	n/a	17.3
Pretoria	11.5	12.8	14.3	14.0	17.3
Durban	11.5	13.0	14.3	n/a	15.5
Cape Town	11.8	12.6	13.5	13.4	14.5
Port Elizabeth	12.8	13.7	14.5	15.3	16.3
Bloemfontein	n/a*	12.5	14.0	n/a	15.5

Source: Rode's Report on the SA Property Market

\* n/a: not available

The above capitalization rates are indicative of what can realistically be achieved or what the investor may expect to achieve when planning a new shopping centre and set a benchmark for the assessment of first year returns. The increase in capitalization rates for the smaller type centres is firstly related to the type of investors, which are mostly private people having to service a mortgage bond (linked to interest lending rates), and secondly, are an indication of higher risk which requires a higher return, as a buffer against possible variations in interest rates such as experienced in 1998 in South Africa when interest lending rates soared to over 20 percentage points.

The bigger centres (regional) are popular long-term investments for major financial institutions, which weigh the risk profile of long-term property investments against returns that can be achieved in other investment markets such as shares on the stock exchange. The major financial investment companies would thus invest equity and would not be affected by variations in interest rates. However, although the above capitalisation rates set some industry benchmarks, the actual rates expected and achievable will depend on market conditions (the ability to pay rental demands) and investor perceptions, thus private investors in rural emerging market shopping centres would aim at 14 percent return (and more if possible), whilst returns of 11 to 12 percent are acceptable for a parastatal development organization such as Ithala Development Finance Corporation in KwaZulu-Natal.

## 9.2 Rental and turnover parameters

### 9.2.1 Rental levels

Rental levels are one of the critical indicators of shopping centre success (Warrington, 1994). It is the pivot that sets the playing field for developer and retailer and ultimately mirrors demand and supply. Although the issues of financial viability and return on investment are central to both parties, the approach is from different angles. Viability for the shopping centre developer is guided mostly by building cost (Van Loggerenberg and Oosthuizen, 1985), land cost and the minimum expected return on capital employed. For the retailer, viability hinges on the expected turnover which, for comparison purposes, is measured as trade densities (turnover per square metre of lettable area per annum). Rental is an operational expense for the retailer who obviously strives to limit operational expenses to the absolute minimum, thus benchmarks for an acceptable turnover to rent ratio have been established in the industry and are often included in lease agreements as turnover rent. It is these ratios (turnover rent) and the spatial variations in achievable rentals that are of particular interest for this study and the formulation of a model whereby centre size can be determined.

The ideal scenario in shopping centre viability assessment is for all parties concerned to approach the development from the same perspective i.e. achievable turnovers. Although the developer cannot guarantee that a particular turnover will be achieved - the skill of the trader is sometimes an unknown factor - the developer must preferably have a good notion of market potential or buying power. Retail rental levels (measured as a ratio per m<sup>2</sup> of lettable area) vary considerably in South Africa. Table 9.2 gives an extract from Rode's Retail Report on rental levels and operational costs. The spatial disparity is quite obvious and is not just between towns, but within towns and different streets within CBD's.

Table 9.2. Selective retail rental rates, South Africa, 2000

Shopping Centre / Place	Shop size categories.			Operational costs
	50 m <sup>2</sup>	100 m <sup>2</sup>	500 m <sup>2</sup>	
	R / m <sup>2</sup> / month (excluding VAT)			
Johannesburg CBD	41	41	35	6
Pretoria Central	88.13	75.31	51.25	12.5
Adderley St., Cape Town CBD	70	62.5	38.75	n/a
Smith St., Durban CBD	85	75	52.5	n/a
Pietermaritzburg CBD	47.5	45	32.5	10.0
Pietersburg Central	72.5	63.33	37.5	5.54
Klerksdorp CBD	17	16	15	2.5
Vereeniging, Merriman St	51.67	50	30.25	3.0
Empangeni, Union St	24.5	22.5	22.5	n/a
Empangeni Tanner Rd (Rail)	29.5	22.5	18	n/a
Nelspruit (Sanlam Centre)	75	60	37.5	n/a
Kriel	35	27.5	24	n/a
The Pavilion, Westville	289.80	202.98	88.8	19.64
Cascades, Pietermaritzburg	115.5	107.5	82.5	17.25

Source: Rode's Retail Report, July 2000 : 63 - 148

In general, rental levels are a close-kept "secret" and are not readily available for small town centres, villages and black townships. The variations in rental levels are also an indication of variations in market potentials with areas of less buying power such as

lower income areas achieving lower rental rates ( for example, not one rural shopping centre in KwaZulu-Natal, that has achieved to date, has rentals in the order of R200 per square metre). The best rentals achievable and sustainable in rural towns in KwaZulu-Natal are in the order of R45 to R65 per square metre for medium to small shops (current values). On average, and based on rental rates re-negotiated by the Ithala commercial portfolio in 2000, rental levels in rural areas and townships are under extreme downward pressure with offers from national retailers (clothing in particular) in some areas being as much as 50 percent less than the closing rent at the end of the initial lease period. Average rentals in the mid-thirties in rural areas and lower twenties in townships, are the norm of the day.

The property market is thus in a state of devaluation following the weak performance of the general South African economy. Rode's Retail Report (July 2000:7), makes the following remark regarding the state of the SA economy:

“...it is clear that post-apartheid South Africa has not delivered, and cannot deliver on promises of a better life for all. We now know that the gap between the haves and have-nots is widening, although the gap is now to a lesser degree race based”.

### 9.2.2 Turnover parameters

Annual turnovers per square metre are referred to as trade densities and are a popular method for shopping centre developers to calculate the approximate turnovers that could or should be achieved in new developments, based on a proposed tenant mix and demarcated shop sizes (and thus justifying the rental structure). The method pre-supposes that trade densities would be similar to those of comparative centres. The actual buying power of the trade area is usually not part of the calculation and the justification for the centre size is based on a per capita floor area ratio. Table 9.3 highlights typical average trade density norms for emerging market shopping centres where rental levels vary between R25 and R45 per square metre per month. The trade density norms vary according to business type.

Table 9.3: Trade density norms<sup>1</sup>: KwaZulu-Natal emerging markets, 2000

Business Type	Turnover (sales)/m <sup>2</sup> /annum		
	Optimum	Average	Unviable
Supermarket	R18 000-00	R12 000-00	R8 000-00
Clothing National	R10 000-00	R6 000-00	R5 000-00
Furniture National	R8 000-00	R6 000-00	R4 000-00
Independent	R9 000-00	R7 000-00	R4 200-00

The above table is an average indication only and considerable variations are experienced in the market place. There are, for example, supermarkets achieving trade densities of R30 000 and others which achieve less than R8 000, but manage to sustain viability by trading from their own premises, have small debt burdens and employ family members who are willing to accept variable incomes.

The shopping centre developer, however, has to ensure that rental demand can realistically be met and if tenant turnover does occur, that replacement tenants can be attracted to the centre. This latter aspect is sometimes overlooked as pre-letting (signing tenants before commencing construction) could create a false sense of security by virtue of tenants willing to try out new markets on a short lease term basis. The tenant is not so much concerned with the long term viability as with the short term gains i.e. requiring an immediate acceptable return or within the first year of operations. To overcome some of this risk, developers of shopping centres conclude ten-year leases with supermarkets.

Developers are focussed on rental income, and therefore rent to turnover ratios could pose a more realistic perspective to assess viability, particularly for new developments and in emerging markets where the sensitivity to achieving the absolute minimum rental levels is much greater. Table 9.4 highlights typical rent to turnover parameters that need to be considered in emerging market developments as they are based on the principle of minimum turnover as opposed to a high income (rental) shopping centre (regional) which is based on maximum market share and thus maximum rental levels (Warrington, 1994).

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<sup>1</sup> Tables 9.3 and 9.4 are based on unstructured interviews with 8 national, 4 regional and 4 independent retailers, as well as Ithala leases.

Table 9.4: Rent to turnover parameters

Business Type	Rent as percentage of turnover (%)			
	Lease negotiation	Optimum	Maximum	Unviable
Supermarket	1.75	2	2.5	4.0
Clothing National	4.5	6	7	10
Furniture National	4.5	5.5	8	11
Independent	n/a	6	12	15

The above is for an average store achieving average trade densities. In cases where very high trade densities are achieved, better economies of scale make higher rental to turnover ratio affordable. There is also the issue of minimum turnover to make a venture viable, regardless of rental levels, for example a leading national clothing retailer, specializing in emerging market locations has indicated that the minimum turnover needed to justify the opening of a new store is R150 000 per month or a trade density of R6 000.

The spatial variation in rental levels is also a clear indication of varying property values and varying turnovers, thus varying development costs and varying capture rates. In this regard, therefore, researcher and developers also have to be property valuers to fully appreciate consequential distribution of buying power throughout the entire retail system. Thorough research is consequently a daunting and time consuming task, the complexity of which is acknowledged in the property industry (Rode, 1993).

### 9.3 Market share or capture rates

Market share is defined as the amount of buying power attracted or “captured” by the tenants of a shopping centre from the trade area. There are accordingly two market share components that need to be considered in shopping centre assessment, namely, the market share achieved by the individual tenant and that achieved by all the tenants combined. A study by Warrington (1994:104) to determine a market share index for shopping centres in south-east Pretoria indicated that the majority of centres (60 percent)

achieved market shares between 17 and 24 percent. The more successful centres had market shares between 24 and 38 percent and the centres performing below average had market shares between 10 and 14 percent. To determine an appropriate market share for a new proposed development would require an assessment of the buying power, spatial shopping behaviour and competition in the assumed trade area. It is not probable, for example, for a shopping centre or traders in a village to capture all the available spending power since some spending will be diverted to higher order centres (large towns, cities) and some to freestanding, spaza shops and informal traders. Given the diversity of spending places, determining the most likely or realistically achievable market share for a new centre requires a thorough knowledge of the ability of traders to capture market share, as well as the locational advantage/disadvantage of a retail facility.

The study by Data Research Africa (May, 1992) on income and expenditure in KwaZulu, as mentioned before, also included “sources of expenditure” and gave a breakdown of the amount of money spent on average at formal and informal traders. Informal trading is most prolific in the food supply sector, so the household expenditure on food by source of purchase is highlighted in table 9.5.

Table 9.5: Household expenditure on food by source (place of purchase) in KwaZulu, 1992

Source of Expenditure		Percentage of food expenditure		
		Urban	Rural	Total
Formal trader		87.93	89.86	88.78
Informal trader		12.07	10.14	11.22

Source of original data: May, 1992:81

The above table indicates that purchases from informal traders on average (in 1992) were between 12.07 (urban) and 10.14 (rural) **for food** expenditure. Household purchases from informal traders, measured for **all retail** expenditure, amounted to 10.12 percent. However, informal trading has increased rapidly in South Africa since 1992 and thus the 10.12 percent is probably conservative for a year 2000 estimate. On the other hand, higher income groups are less likely to shop at hawkers, thus, where a strong contingent of high income earners exists, the 10.12 percent margin would be considered to be unrealistically high.

The research conducted for this study on hawkers and small business in townships indicated that hawking was a subsistence activity driven by poverty. Small business in townships face the same problems as any small business elsewhere. Table 9.6 highlights the main findings pertaining to this study on hawker trading and assessing market share.

Table 9.6: Street trading activities

Description	Geographic area of interview - percentage of sample (%)				
	Empangeni	Harding	Jozini	Port Shepstone	Umlazi
<b>Trading types</b>					
Clothing	15	15	5	5	30
Cosmetics	0	5	10	20	5
Fruit	0	30	5	20	10
Fruit and vegetable	40	25	80	25	25
Food (other)	5	10	0	20	5
Herbs	25	0	0	5	5
Jewellery	0	10	0	0	0
Meat	10	0	0	5	15
Liquor	5	5	0	0	5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Reason for street trading (hawking)</b>					
Unemployment	85	65	85	65	70
Bread winner	15	25	15	25	20
No alternative	0	5	0	10	5
Other	0	5	0	0	5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Place of stock purchases</b>					
Same as survey	65	70	75	75	100
Other town in KZN	35	30	20	25	0
Outside KZN	0	0	5	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Income and expenditure</b>					
Average monthly amount for stock purchases	R778.00	R919.05	R1129.00	R1140.00	R792.5
Average income earned per month	R367.00	R427.64	R838.88	R910.00	R569.05

The above table verifies the range of convenience goods popular with informal traders and the relatively low incomes earned. Of significance are also the purchases in the local area which indicate that formal traders (wholesalers and supermarkets with wholesale division) capture indirectly a fair share of the local purchases from informal traders.

Informal traders (street traders) represents the lowest level in the retail hierarchy. One step above informal traders are the formal traders trading in stand-alone facilities such as spaza shops and taverns (at home) and corner shops. Freestanding shops in rural areas combining general dealer, liquor store and tavern are quite common in KwaZulu-Natal and are considered part of the lowest order of retail provision. Table 9.7 deal with the results of a small business survey in Umlazi with the aim to deduct market share for such traders when assessing justifiable allocation of trading space.

Table 9.7: Sample of small business turnover performance in Umlazi township.

Business Type	Shop Size (m <sup>2</sup> )	Turnover 1999( R mill.)	Trade Density (R/m <sup>2</sup> /a)
Liquor Store	120	1.8	15000
Butchery 1	100	1.2	12000
Butchery 2	75	2.4	32000
Butchery 3	180	2.4	13300
Estate Agent	100	0.42	4200
Fruit and vegetables	35	0.12	3428
General Dealer 1	100	0.9	9000
General Dealer 2	80	1.8	22500
General Dealer 3	120	0.72	6000
Pharmacy	90	2.4	20000
Supermarket 1	200	2.7	13500
Supermarket 2	140	0.36	2571
Supermarket 3	140	0.192	1371
Supermarket 4	200	1.8	9000
Supermarket 5	150	0.6	4000
Supermarket 6	150	1.02	6800
Supermarket 7	180	1.44	8000
Supermarket 8	120	0.54	4500
Medical Doctor	55	0.36	6545
Tavern	45	0.42	9333

The above table indicates that in order to be viable, small freestanding formal traders need to achieve trade densities similar to the general norm in the retail market. Thus, deducting a general market share index must apply the same norms for all types of business activities in the hierarchy of centres. Sufficient provision for diversion of sales

or buying to the lowest level of retail provision must be allowed for when assessing the available spending power for a new shopping centre.

### 9.3.1 Market share analogues

The objective with market share analogues is to obtain comparable information related to turnover and buying power for markets of similar characteristics. The associated ratios (trade densities, market share percentage) are thus utilized to guide the assumed achievable market share. The following table (9.8) gives comparable figures for selective centres in townships and villages (all retail).

Table 9.8: Estimated market shares for selective centres, KwaZulu-Natal, 2000

Place/centre	Retail area (m <sup>2</sup> ) occupied	Turnover* (all shops) (mill)	Trade area buying power (mill)	Market share (%)	Trade density (R/m <sup>2</sup> /annum)
Township neighbourhood centres					
Umlazi	6500	R30	R860	3.4	R4 615
KwaMashu	7500	R51	R404	12.6	R6 800
Madadeni	6200	R36	R244	14.7	R5 806
Villages					
Manguzi	10 200	R72	R75	96	R7 058
Mbazwana	3 500	R31	R59	52	R8 857
Jozini	8 500	R62	R78	79	R7 294
Mkuze	10 500	R55	R67	82	R5 238
Nkandla	2 600	R22	R93	24	R8 461

\* Source: Ithala data base

#### Conclusions:

- The estimated market shares for the township centres is comparable with the Warrington (1994) market share categories researched for South East Pretoria, i.e. the least successful centres achieve market shares below 14 percent.
- Market shares for villages, where vacancies and low demand for new shops are experienced (Manguzi, Mkuze), are approaching the 100 percent margin. It is

therefore deducted that the maximum desirable market share at village level would be less than 100 percent to allow for the outflow of capital to dispersed freestanding shops and higher order trade areas (mostly related to semi-durable, durable and speciality goods, however, the total percentage loss in the case of well developed villages is estimated to be less than 20 percent).

- Market share analogues, as described above, depends on an accurate:
  - demarcation of the trade area;
  - assessment of maximum buying power; and
  - retail sales at the micro level.

The latter information is the most difficult to obtain, and as such, another method, which establishes a retail saturation index, is introduced.

### 9.3.2 Conceptual retail saturation index

A retail saturation index would be based on the analogue approach, but would utilize justifiable trade density norms for different categories of goods to calculate the expected demand. An index based on square metre lettable area provision would also be appropriate, however, an alternative proposed herewith, in order to obtain a “quick overview”, is to utilize the number of retail outlets (see chapter 3 - central place classification) *in lieu* of lettable area. Table 9.9 highlights the relevant data for a selection of village, small and large towns (the buying power model highlighted in chapter 8 was utilized). The second last column is the ratio to be utilized for the saturation index. It should also be noted that this methodology avoids population numbers as an index (as proposed by Gosh & MacLafferty, 1987), for reasons related to variations in household incomes and socio-economic status at trade area level.

Table 9.9: Retail saturation parameters for selected central places, 2000

Central place	Number of households, 1996	Trade area retail buying power 2000 (R mill.)	Number of retail shops, 2000	R million / shop/ann.	Status**
<b>Villages</b>					
Manguzi	9 432	75	32	2.34	Saturated
Mbazwana	6 167	59	21	2.80	
Jozini	8 747	78	31	2.51	
Mkuze	8 342	67	36	1.86	Saturated
Hluhluwe	9 027	77	24	3.20	
Melmoth	8 302	83	45	1.84	Saturated
Nkandla	11 584	93	16	5.81	
Hlabisa	6 914	63	7	9.0	
<b>Sub group average</b>	<b>8 564</b>	<b>74</b>	<b>26</b>	<b>2.85</b>	<b>Index=2.5*</b>
<b>Small towns</b>					
Mtubatuba	18 458	206	105	1.96	Saturated
Ulundi	22 027	229	49	4.67	
Eshowe	21 420	234	120	1.95	Saturated
Nongoma	22 551	186	56	3.32	
Pongola	12 325	134	66	2.03	Saturated
Geytown	20 427	219	102	2.14	Saturated
Estcourt	20 616	243	151	1.61	Saturated
<b>Sub group average</b>	<b>19 689</b>	<b>207</b>	<b>92</b>	<b>2.24</b>	<b>Index = 2.2*</b>
<b>Large towns</b>					
Empangeni-Richards Bay	57036	1108	516	2.15	
Vryheid	22839	330	237	1.39	Saturated
Newcastle	59022	895	458	1.95	Saturated
Ladysmith	39158	560	319	1.76	Saturated
<b>Sub group average</b>	<b>44 513</b>	<b>723</b>	<b>382</b>	<b>1.89</b>	<b>Index=2.1*</b>

\* Saturation index is related to known places experiencing symptoms of over trading i.e. low trade densities and high vacancies.

\*\* Below index is considered as saturated. The results corresponds with the general observations in practice.

### Conclusions:

- The average decrease in spending power per shop higher up in the hierarchy of central places, compared to lower order centres, is related to the underdevelopment of some rural villages and small towns, the over development of some small and large towns (lowering the average) as well as the outflow of

capital from lower order centres to higher order centres;

- The average decrease in buying power value per shop is 21.4 percent between villages and small towns and 15.6 percent between small and large towns, which indicates a decrease in “outflow” of purchase power between hierarchical levels.

On the basis of the above findings, the following conceptual retail market share index model (table 9.10) is proposed for rural central places in KwaZulu-Natal.

Table 9.10: Market share benchmarks (maximum)

Hierarchical order	Maximum value	Loss value	Gain value	Nett loss	Market share benchmark*
Villages	R74	14.8 (20%)	R0	20%	<b>80%</b>
Small towns	R207	24.8 (12%)	R7.4**	8.4%	<b>91.6%</b>
Large towns	R723	28.92 (4%)	R12.4**	2.3%	<b>97.7%</b>

\* Maximum buying power in the dominant trade area that can be retained as an index (excluding tourism contribution)

\*\* 50 percent allowance for diversion to freestanding shops

In summation, the benchmark index with respect to villages will be applied in the next section.

#### 9.4 Integrated Commercial Assessment Model (ICAM)

In terms of the foregoing information and data available (including chapter 7 and 8), a model has been developed whereby the viability of a shopping centre can be determined based on the household income profile of a trade area. Whilst the model has been developed with the aim of verifying the potential for a shopping centre development in lower income markets, it also has universal applicability and can just as well be applied to high income markets.

The model is defined as an Integrated Commercial Assessment Model (ICAM), which is designed with the objective to integrate retail trade area buying power with the financial requirements (return on investment) as a function of building cost and achievable rental levels based on projected viable turnovers for a specific tenant mix. The output of the model is centre size and shop sizes for four main categories of retail

business types, namely supermarket, clothing, furniture and other goods.

The model is also designed to be setup on computer spreadsheet such as Lotus 1-2-3 or Quattro Pro. The main variables and composition of the model are given in figure 9.1.

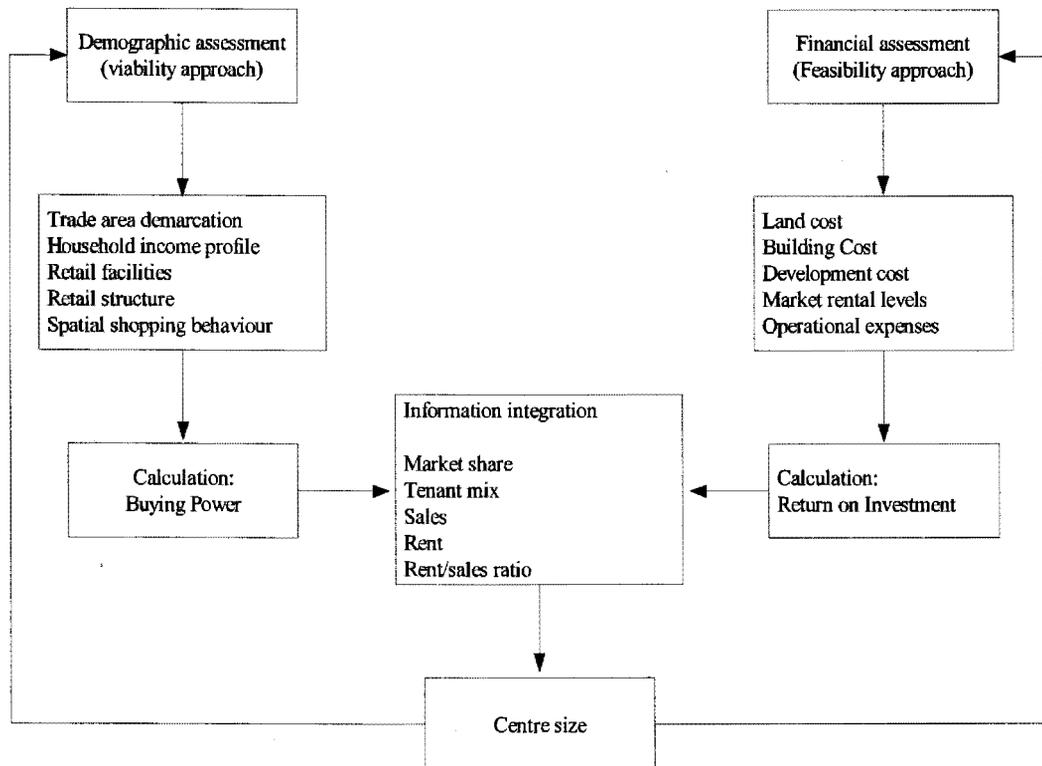


Figure 9.1: Diagrammatic representation of the Integrated Commercial Assessment Model (ICAM).

The model essentially integrates the feasibility approach, which utilizes mainly financial projections, with the viability approach, which utilizes mainly demographic data to justify the development of a new centre. The model recognises that the two approaches are in fact interrelated and feedback from both is needed at the preliminary investigation stage for an accurate and refined assessment.

Property practitioners not versed in the demographic approach (a skill that seems to be limited to a few research specialists) prefer the feasibility approach. Thus, with the assistance of an architect and quantity surveyor, a development concept and cost report are compiled. The developer (sometimes assisted by an estate agent), compiles a tenant mix based on prevailing market rentals and attempts to obtain interest from at least the anchor tenant and one or two other national retailers. The all-important issue of whether

there is sufficient buying power to sustain the required turnovers is usually not addressed. The developer, in this case, relies on either a commercial zoning, independent demographic study or tenant interest, to justify the viability of the proposal. The inclusion of demographic data in the form of population numbers per radius distance, is also popular in determining “trade area demographics”. The link with purchase power is seldom part of the feasibility approach and the developer relies on the tenant to make his own judgement on whether the shop and shopping centre can succeed.

The viability approach assesses development potential from a demographic study of the trade area population and usually concludes a per capita retail floor area ratio (square metre per capita), depending on the socio-economic classification of the trade area. The method is also very popular with town planning concerns in South Africa. Van Loggerenberg and Oosthuizen (1985) defined a per capita floor area ratio for different ethnic groups in South Africa, in 1985, as follows:

- White: 2.25 per capita
- Black: 0.57 per capita
- Asian: 1.08 per capita
- Coloured: 0.76 per capita

The above method of classification is unacceptable in a new democratic dispensation and has racial undertones which could be politicized. Kahn (1993) compiled a per capita floor area ratio for Pietermaritzburg, based on socio-economic groups, namely:

- High income: 1.85 m<sup>2</sup> per capita
- Middle income: 1.20 m<sup>2</sup> per capita
- Low income: 0.28 m<sup>2</sup> per capita

Prinsloo (1999) also suggested an “updated” justifiable per capita retail floor area ratio for socio-economic groups for South Africa, namely:

- High income: 3.3 m<sup>2</sup> per capita
- Middle income: 3.0 m<sup>2</sup> per capita
- Middle low income: 2.7 m<sup>2</sup> per capita
- Low income: 0.7 m<sup>2</sup> per capita
- Very low income: 0.2 m<sup>2</sup> per capita

Town planning authorities utilize per capita retail floor area ratios for different central place classifications. The RSA/KwaZulu Development Projects, suggested the following ratios for KwaZulu towns (Warrington, 1997):

- Town centres: 0.2 m<sup>2</sup> per capita
- Community centres: 0.2 m<sup>2</sup> per capita
- Corner shops: 0.05 m<sup>2</sup> per capita

The problem with the above per capita ratio approach is the generalization of socio-economic classification and hence accuracy. There are considerable variations in the degree of low and high income earners and per capita income within and between socio-economic groups and trade areas. A further limitation of the “ratio approach” is that a ratio for total justifiable retail area is calculated and does not necessarily explain how the ratio should be applied to different centre types. Additional assessments of site and trade area specific conditions are thus required to determine application and which invariably includes a market share estimate.

The Integrated Commercial Assessment Model utilizes estimated buying power as the basis upon which development potential is determined and pre-supposes that every trade area is unique and thus requires a model that can measure the uniqueness. The different steps and calculations will be highlighted by an application case study for an actual proposed development by the Ithala Development Finance Corporation Limited in the trade area of Nkandla, KwaZulu-Natal.

#### 9.5 Integrated Commercial Assessment Model: Application case study, Nkandla

The model will be applied and demonstrated by a series of steps which are as follows:

- Demarcation of trade area, ethnic composition and calculation of buying power;
- Assessment of retail structure, facilities, shopping spatial behaviour and assumption of achievable market share;
- Site identification, concept design, tenant mix, development cost estimate, rental levels and projected return on investment;
- Sizing of the centre by means of demographic and financial data integration.

### 9.5.1 Situation analysis - Nkandla

Nkandla (figure 9.2) is a small rural village in the geographic heart of KwaZulu-Natal. The nearest village, linked by tar road, is Melmoth (45 km), the nearest small towns are Eshowe (80 km by dirt road) and Ulundi (86 km by tar road) and the nearest large town is Vryheid (173 km by tar road). A mountainous topography limits communication with and transportation between villages and small towns to the west and south of the village. Nkandla village can thus be described as a fairly isolated location and is not on one of the main transportation routes in the province.

The village has limited housing facilities but serves a rural population mainly. A missionary hospital, education circuit office (administering approximately 1000 teachers), police station, primary and secondary schools, post office and undercover taxi rank account for most of the administrative infrastructure. Economic activity is limited to agriculture, forestry and limited retailing. A tea estate (Ntingwe), producing “Zulu tea”



Figure 9.2: Nkandla village, July 2000

for the export market, is approximately 20 km west of the village and pays wages and salaries of approximately R1 million per annum.

The apparent lack of sufficient retail facilities seems obvious when the limited number of retailers and dilapidated state of the retail structures are weighed against the large undercover taxi rank, (approximately 80 bays) and quality of housing and other buildings in the village. A suitable vacant site exists in the geographic centre of the village and is earmarked for a potential shopping centre development (figure 9.3 - areal photo).



Figure 9.3: Nkandla. Development site in foreground, taxi rank top left.

### 9.5.2 Trade area assessment

A shopper survey was conducted on 30 March 1999 in Nkandla to determine the residential locations of shoppers in order to delineate the trade area (see also figure 7.4) and to assess shopping spatial behaviour.

Figure 9.4 highlights the empirical trade area and the polygons as seen on the GIS map containing the demographic data derived from census 1996.

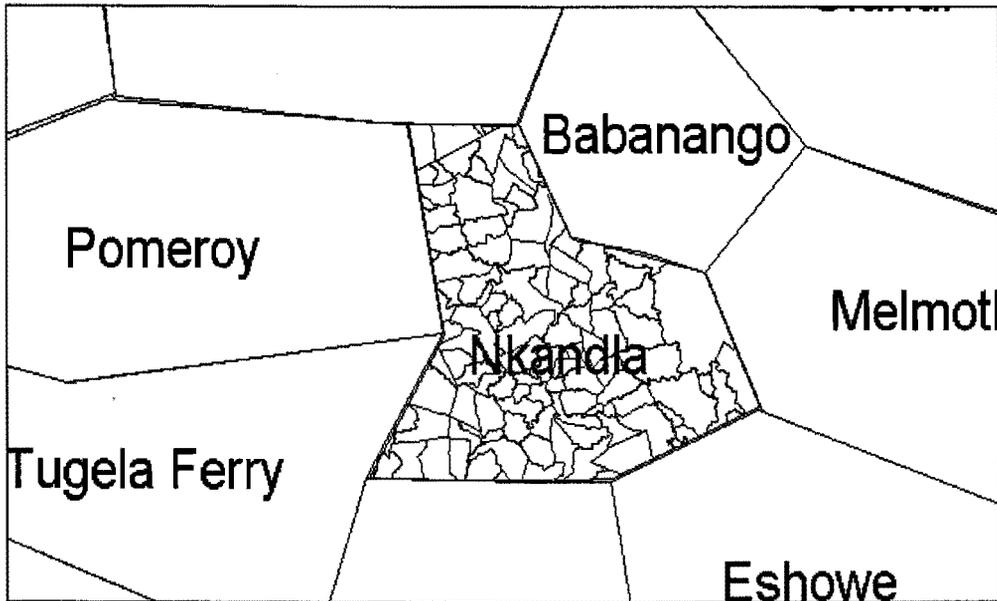


Figure 9.4: Small marketing areas of Nkandla on GIS containing census derived information

The Nkandla trade area population consists of 43 734 females and 34 051 males, thus totalling 77 785. The substantially lower percentage of males indicates a high male absenteeism as a result of limited employment opportunities and males (young adults) having to leave home in search of employment in other urban areas. The lower cost of living in the rural area as well as traditional land tenure and dwellings accounts for the larger number of females remaining behind. Table 9.11 highlights the ethnic composition of the Nkandla trade area which is 99.5 percent African (ethnic Zulus).

Table 9.11: Population of the Nkandla trade area, 1996

Ethnic group	Numbers	%
African	77 409	99.51
Coloured	14	0.01
Indian	5	0.006
White	13	0.001
Unspecified	344	0.044
Total	77 785	100.00

The buying power calculation is the same method as described in chapter 8, and the outcome is highlighted in table 9.12.

Table 9.12: Household income profile and buying power, 1996

Average income per month	Number of households	%	Retail expenditure %	Total annual retail buying power
450	7914.06	69.12	71.94	R32 281 434.91
750	1914.20	16.71	65.07	R11 770 635.93
1250	568.82	4.96	58.85	R5 272321.48
2000	508.44	4.44	53.22	R6 818 912.55
3000	165.45	1.44	48.14	R3 010 680.41
4000	134.09	1.17	43.54	R2 942 492.41
6000	70.04	0.61	39.38	R2 085 180.45
8000	47.10	0.41	35.61	R1 690 648.85
10000	51.93	0.45	32.21	R2 107 558.28
16000	30.19	0.26	29.13	R1 772 940.36
30000	30.19	0.26	26.35	R3 007 014.57
44000	14.49	0.12	23.83	R1 914 324.90
Total	11449	100		R74 674 145.11

The total retail buying power for Nkandla in 1996 amounted to R74.6 million with 90.79 percent of the 11 449 households residing in the trade area earning less than R2000-00 per month.

The distribution of retail buying power for various goods is calculated by means of the same general methodology utilized to calculate the total buying power i.e. a ratio for each income category, thus essentially utilizing the buying power model as demonstrated in chapter 8. The expenditure ratio's highlighted in tables 8.7; 8.8 and 8.18 (last column) were utilized to determine the expenditure ratios (exponentially smoothed - method similar to table 8.18) for each income group for the categories of food/groceries, clothing and footwear, furnishings and other goods (residual). The results are highlighted in table 9.13.

Table 9.13: Distribution of retail buying power by income and retail goods categories

Income	Food/groceries	Clothing & footwear	Furnishings	Other	Total
R per month	% of income				
450	48.11	7.30	3.07	13.46	71.94
750	41.52	6.97	3.12	13.45	65.07
1250	35.84	6.65	3.18	13.18	58.85
2000	30.94	6.35	3.23	12.70	53.22
3000	26.71	6.06	3.29	12.09	48.14
4000	23.05	5.78	3.34	11.37	43.54
6000	19.90	5.51	3.40	10.57	39.38
8000	17.18	5.26	3.46	9.72	35.61
10000	14.83	5.02	3.51	8.85	32.21
16000	12.80	4.79	3.57	7.97	29.13
30000	11.05	4.57	3.63	7.10	26.35
44000	9.53	4.36	3.70	6.24	23.83

A ratio for purchases on various goods can thus be determined as demonstrated in chapter 8, with people in lower income categories spending a higher percentage of income on, for example food, than people in higher income groups.

The high percentage of goods purchases associated with supermarkets/general dealers is indicative of the household income profile which is weighted towards very low incomes.

### 9.5.3 Retail facilities, shopping places and market share.

The retail facilities are very limited with only two national concerns (Pep Stores and Spar) present in the village. The Spar supermarket of approximately 450 m<sup>2</sup> is old, poorly located and in need of upgrading. One other supermarket of note (approximately 500 m<sup>2</sup>) is managed by a local independent black female entrepreneur and is apparently very successful. Two liquor stores, a tavern, a hardware shop and a general dealer account for some of the other noticeable retailers. There is no bank in the village (although there used to be a First National Bank agency many years ago) and this, as such, has been identified as one of the greatest facility needs in the retail structure. The total floor area of retail facilities is estimated at 2 600 m<sup>2</sup>.

Given the poor state of formal retail facilities and the size of the trade area population, it is not surprising that informal trading has flourished and is mainly located around the taxi

rank and on the verge of the main road leading through the village.

The shopper survey also attempted to ascertain from respondents where the majority of their shopping is undertaken, the results of which are highlighted in table 9.14.

Table 9.14: Preferred town of shopping, Nkandla shoppers

Town	n (samples)	%
Nkandla	114	56.44
Melmoth	58	28.71
Dundee	8	3.96
Empangeni	5	2.48
Durban	3	1.49
Eshowe	2	0.99
Nqutu	2	0.99
Vryheid	2	0.99
Other	8	3.96
Total	202	100.00

Although the percentage using Nkandla is the highest (56.44 percent), it is nevertheless a below average margin for shopper surveys (see chapter 7), and a substantial outflow of purchase power, to Melmoth in particular, is encountered. Higher order towns in the hierarchy should be frequented for some semi-durable, durable and specialized items. Food purchases in a low income area, in particular, should preferably take place at the nearest central place, which is Nkandla village.

It is therefore estimated that Nkandla is “losing” at least 50 percent of the actual buying power of the primary trade area to other central places with better facilities. This situation comes at a great additional transportation expense for the local people. An opportunity thus exists to improve retailing in the village and to capture and consequently retain local buying power within the village, as is seen in other villages such as Manguzi, Jozini, Nqutu and Tugela Ferry.

#### 9.5.4 Development feasibility proposal

A suitably large site, mostly vacant land, exists on the main road in close proximity to the taxi rank in the geographic centre of the village. Another site also exists in even closer proximity to the rank, but due to its relatively small size and complicated configuration, as well as an unwilling seller (prefers to lease the land) it was not considered suitable for a cost-effective scheme that has expansion potential. Land tenure in Nkandla village is freehold and negotiations for permission to occupy (PTO) with the local tribal authority (as is the case with most villages in KwaZulu-Natal) was not required.

An initial shopping centre concept design showed a 4 000 m<sup>2</sup> shopping centre in a U-shape with the anchor tenant occupying 1 200 m<sup>2</sup>. The total development costs, including land costs, were estimated at R10.6 million. The average achievable “best possible scenario” for rental levels for a 2001 scenario was R22 per square metre for the supermarket (excluding airconditioning), R32 per square metre for clothing and furniture shops, R35 per square metre for a bank and R40 per square metre for other line shops. Operational expenses were estimated at R5.52 per square metre, allowing for insurance, cleaning, security, maintenance and management expenses. Applying the foregoing parameters gave a minimum first year return (with allowance for 5 percent vacant floor space) of 11 percent (ROI) - the minimum return required by Ithala Development Finance and Investment Corporation Limited. The detailed ROI calculations are highlighted in table 9.15 to 9.17:

Table 9.15: Tenant mix and rental schedule - year 1

Number	Tenant	Size (m <sup>2</sup> )	Rent/m <sup>2</sup> /month	Rent per annum
1	Supermarket	1200	R22	R316 800
2	Bank	300	R35	R126 000
3	Clothing	295	R32	R113 280
4	Pharmacy	85	R40	R40 800
5	Furniture	500	R32	R192 000
6	Furniture	250	R32	R96 000
7	Fabrics	50	R40	R24 000
8	Takeaway	75	R40	R36 000
9	Hardware	200	R32	R76 800
10	Liquor	120	R40	R57 600
11	Herbalist	45	R40	R21 600
12	Hair salon	50	R40	R24 000
13	Doctor	100	R40	R48 000
14	Other	730	R38	R332 880
	<b>Total</b>	<b>4000</b>	<b>Avg=31.37</b>	<b>R1 505 760</b>

Table 9.16: Expenditure year 1 (Budget\*)

Expenditure item	Annual expenditure
Rates	R40 000.00
Insurance	R30 000.00
Security	R95 000.00
Cleaners	R45 000.00
General administration	R5 000.00
Maintenance	R20 000.00
Water & electricity	R20 000.00
Promotions	R10 000.00
<b>Total</b>	<b>R265 000.00</b>

\* Management fee is not raised. Centre manager is not necessary.

Table 9.17: Return on investment (ROI) year 1

Rental income fully let	R1 505 760.00
Rental income with 5% vacancy factor allowance	R1 430 470.00
Operational expenses	R 265 000.00
Net income with 5% vacancy factor allowance	R1 165 470.00
Capital investment	R10 6000 000.00
ROI (year 1)*(5% vacancy factor included)	11 %

\* ROI = (net income ÷ capital investment) × 100

### 9.5.6 Information integration - sizing of the centre (refer to ICAM model)

The first calculation is to determine the total formal retail area that can be supported, thus a provision for informal trade is excluded i.e 10 percent of total retail buying power as highlighted in table 9.18. The calculation for total retail area is based on the assumption that all retail facilities are potentially of the same rental value as the proposed scheme.

Thus, should all facilities be upgraded to reflect the standard set by the new development, then that is the retail area that can be justified.

Table 9.18: ICAM output: Total formal justifiable retail area, 2002

Variable	Ratio		Value			
Buying power 1996	Base year		R74 674 145.11			
Buying power 2002	Retail sales increase*: 1997 - 8.26% 1998 - 2.81% 1999 - 5.38% 2000 - 6.07% 2001 - 7.0% (estimate) 2002 - 7.0% (estimate)		R106 363 338.35			
Market share	0.9 (10 % diverted to informal trade)		R95 727 004.51			
Retail sales distribution, rent and retail area						
Business	Sales ratio	Sales per annum (R million)	Rent rate (R per m <sup>2</sup> per month)**	Rent to sales ratio	Retail area (m <sup>2</sup> )***	Trade density****
Supermarket	0.605	57.87	24	0.02	4 019.28	14 400
Clothing apparel	0.117	11.21	36	0.06	1 557.68	7 200
Furnishings	0.061	5.86	34	0.06	862.46	6 800
Other	0.217	20.76	45	0.07	2 692.31	7 714
Total	1	95.7			9 131.74	
<p>* Projection is actual annual increase in retail sales in KZN as published by Stats SA. Estimated sales (2001, 2002) based on published retail sales performance by Stats SA in the first quarter of 2001.</p> <p>** Rentals escalated from 2001 assessment for 2002</p> <p>*** Retail area = ((sales per annum÷12) x (rent to sales ratio))÷ (rent rate)</p> <p>**** Trade density = (sales per annum)÷(retail area)</p>						

The final step is to propose a realistic assumption as to what market share can be achieved by the tenants in the new centre. The stepwise **market share** model, as described in chapter 2, is thus applied as follows:

- Step 1: Maximum buying power 2002: R106 million;
- Step 2: Maximum retail area requirement 2002 (assuming all rental values to be on par with new development): 9131 m<sup>2</sup>;
- Step 3: Current total retail provision: 2 600 m<sup>2</sup>
- Step 4: Retail area shortfall at maximum level: Maximum formal retail (9 131 m<sup>2</sup>) less current formal retail provision (2 600 m<sup>2</sup>) is 6 531 m<sup>2</sup>;
- Step 5: Estimated current market shares of competitors (flow of buying power) based on consumer research (see also chapter 7):

Competitors	Current share (%)	Value (million)
Informal/Freestanding	10	R 10.6
Nkandla (existing)	20	R 21.2
Melmoth	50	R 53.0
Ulundi	5	R 5.3
Eshowe	5	R 5.3
Vryheid	5	R 5.3
Other	5	R 5.3
Total	100	R 106

Step 6: Market share analogues at village level, 2000

Place					Market share benchmark	
	Retail area (m <sup>2</sup> )	Maximum buying power (mill)	Actual sales* (mill)	Share %	Saturation index (%)	Development potential (% share)
Jozini	8 500	R78	R62	79	80	1
Mbazwana	3 500	R59	R31	52	80	28
Manguzi	9 800	R75	R72	96	80	-16
Nkandla	2 600	R93	R22	24	80	56

\* Based on size and performance of leading supermarkets (equals 60 % of all retail sales at village level)

The final decision on what market share percentage to utilize for the new development, would depend on the developers' objectives and experience. If the intention is to totally dominate the market, the maximum would be selected, thereby closing the door in the short

term on new competitors. However, the experience at Manguzi with a “rather bigger than smaller” approach has seen a number of vacancies and downward pressure on rental levels. If the objective is to achieve and sustain a fully let centre, then a more conservative strategy (not necessarily the most financially lucrative in the short term) is required, such as what has been achieved at Mbazwana.

An assumption of 30 percent was thus made in the case of Nkandla, on the basis that if a bank, modern and competitive supermarket, furniture stores and clothing stores were added to the village infrastructure, at least 60 percent of the outflow of buying power could be captured and the overall market share for all retail shops in Nkandla would be similar to that of Mbazwana (52/54 percent). The savings in transportation expenses as well as the principle of visiting the nearest village would ensure that the market share target could be reached. A bank and quality low-price supermarket specialist would, however, be critical to the success and probability of achieving the projected market share. Table 9.19 highlights the output of the model for a 30 percent market share.

Table 9.19 ICAM output: Centre size at 30 percent market share

Business	Sales ratio	Sales per annum (R million)	Rent/m <sup>2</sup> /month (R)	Rent to sales ratio (%)	Retail area (m <sup>2</sup> )	Trade density/ann.
Supermarket	0.605	19.29	24	0.02	1 339.76	R14 400
Clothing apparel	0.117	3.73	36	0.06	519.23	R7 200
Furnishings	0.061	1.95	34	0.06	287.49	R6 800
Other	0.217	6.92	45	0.07	897.44	R7 714
Total	1	31.9			3 043.91	

The centre size calculated at 30 percent market share of 3 043.91 m<sup>2</sup> is substantially less than the concept estimate of 4 000 m<sup>2</sup> and thus demonstrates the feedback mechanism of the model. The developer has to re-appraise the project design and costing.

Referring to the ICAM-model (figure 9.1) this stage in the application of the model is demonstrated by the feedback links from centre size, demographic and financial assessments. The total process is re-assessed. For example a decision on the trade area

range ( which could increase or decrease depending on the size output) would require (if adjusted) a new income profile assessment. The proposed rental structures and development costs are re-assessed. The layout needs to be adjusted or even re-designed. Tenant requirements, sometimes need to be renegotiated and so must be the land size or land price. The value of the model at the end of the first attempt is that the developer will have a much more realistic picture of where the proposal is going, if it will be viable, and what strategies need to be followed to “make it happen”.

However, it should be noted that the calculation excludes non-retail services such as financial and medical (doctors’ rooms) and a provision for such facilities could be added to the retail area (usually between 10 and 20 percent of retail area).

Variations in rental levels and centre size would result in different market shares. The model thus requires an interactive approach, assisting the developers to make calculated strategic decisions on the centre type (neighbourhood type in this case) and tenant mix (strong supermarket anchor and bank critical in this case). The model could also be used to predict possible future scenarios by projecting growth in retail sales or assume changes to the demographic structure of the trade area (which would require further research).

Of particular concern for retailers, for example, are the health issues in rural areas and the predicted impact of HIV/AIDS on future buying power. Rode (Rode’s Retail Report, 2000 : 7) for example believes that the lower income population number will be reduced by as much as 30 percent in the next twenty years. An estimate by the Actuarial Society of South Africa, indicate that approximately 5.3 million people will be infected by 2010 in South Africa, of which 40 percent would be in KwaZulu-Natal (Financial Mail, June 15, 2001:34).

The expected impact of HIV/Aids of retail sales is firstly a slow reduction in actual values and secondly an increase in household poverty levels which would impact negatively on demand for semi-durable and durable goods, and will thus affect mostly the line shop component of shopping centres. The exact extent of the reduction is not known at this stage and has not been detected in the retail sales figures of 2000/2001, but future retail

sales would have to be monitored. The impact of HIV/Aids would thus be incorporated in the “retail sales increase” component of the model. In terms of development strategy, the need to adopt an even more conservative approach than just “slightly smaller” is imperative for new developments, as well as the need to sign quality tenants (financially) and to have a flexible design that will allow for the contraction of shop sizes.

Taking all relevant issues into consideration, the developer for the proposed Nkandla shopping centre has taken a conservative approach and ordered the redesign and re-appraisal of the project based on a total lettable area of 3 000 m<sup>2</sup> (the retail component will be 2 700 m<sup>2</sup>). The final design proposal is highlighted in figures 9.5 and 9.6 as that of a split level centre (necessary in order to deal with steep gradient and to balance cost/income



Figure 9.5: Proposed shopping centre layout, Nkandla.

ratio) with the layout in figure 9.5 accessible from Shezi Street and the shop levels being on par with Shezi Street.

Figure 9.6 depicts the lower ground floor which is on par with Shange Street and will capitalize on future pedestrian traffic at road level, currently crossing the site in a north/south direction. The type of shops to be accommodated are a liquor store on the corner (easy loading) followed by micro shops or tenants such as a hair dresser, phones, herbalist, dry cleaner, cosmetics and dressmakers, all of which have strong locational affinities in rural shopping centres.



Figure 9.6: Nkandla proposal - lower ground floor facing Shange Street

The output of the model thus gives direction from a financial point of view as to what strategic decisions need to be made in terms of size, tenant mix and rental levels. Utilizing the approximate purchase power gives a degree of realism not achievable with population ratio methods. The total “affordable retail area” of 9 131 m<sup>2</sup> is a ratio of 0.11 m<sup>2</sup> per capita and is substantially lower than 0.28 m<sup>2</sup> suggested by Kahn (1993) for low income groups in Pietermaritzburg or the 0.7m<sup>2</sup> suggested by Prinsloo (1999). It is worth noting, however, that Prinsloo did highlight in the same publication that ratios as low as 0.1m<sup>2</sup> were applicable to some deep rural areas. The advantage of the integrated commercial assessment model (ICAM) is that there is no need to “speculate” on the “justifiable” per capita floor area ratio. The procedure, if correctly applied, is concise and accurate. However, a thorough knowledge of the functioning of the retail system is required in order

to enhance accuracy of the output.

Further refinements to the model are possible by studying the relationship between income and retail expenditure on a product basis as well as valuing retail land use facilities. Not all facilities can achieve the same rentals and their impact on market share have to be discounted in terms of true market value. Applying the model to a large city such as Pietermaritzburg would require a thorough appraisal of retail land use patterns. The issue of market share or development impact (redistribution of retail sales) could be enhanced by applying a spatial interaction model at the “market share assessment” stage of the model.

## CHAPTER 10

### DEVELOPMENT STRATEGIES AND CONCLUSION

This chapter concludes the study of emerging market shopping centre development in KwaZulu-Natal by focussing on guidelines for developers during the market research and planning stage, not only generic to shopping centres in general, but also unique to emerging markets.

Dawson (1983 :55) describes the planning stage as an “evolutionary” exercise and “balancing act” with the developer at the centre of the process and concludes that:

“This stage is usually the longest, and most complex and critical of the entire process. During this stage decisions are made which will affect the social and commercial success of the development.”

The strategic considerations will be reviewed under the headings;

- Location strategies;
- Research and consultation strategies;
- Design and tenant mix strategies; and
- Financial strategies.

The above subject matter will be introduced, in each case, by highlighting goals, objectives, strategies, and guidelines.

## 10.1 Location strategies

### Goal:

- To find locations that will ensure the immediate as well as long term success of the proposed shopping centre development.

### Objectives:

- Search for niche markets by assessing the demographic and economic base of markets at macro, meso and micro level;
- Assess levels of retail provision and competition;
- To “know where to look”.

### Strategies:

- Focus on growth areas;
- Focus on transport modes, routes and destinations;
- Move beyond stereotyping, psychological barriers and ethnicity;
- Focus on the central business districts of rural markets.

### Guidelines:

- Location strategies are firstly based on an understanding of market potential at the macro and meso level. Comparable information on population and household numbers, their income and flow of capital between regions must be obtained. A simple per capita or head count based on national or provincial averages is not sufficient to understand market potential.
- A macro perspective in terms of spatial economic growth potential for KwaZulu-Natal currently points to the northern coastal belt as having the most opportunities and future prospects. The driving force is the development of heavy industry at Richards Bay/Empangeni (aluminium and steel) and the planned R1.2 billion expansion of the Richards Bay harbour. In addition, the world- wide move to

conservation and eco-tourism and declaration of the St Lucia wetlands as a world heritage site have made Maputaland (the area between Hluhluwe and the Mozambican border) a popular tourism destination. Rapid retail expansions in Empangeni and Richards Bay between 1996 and 1998, however, have saturated the market for the time being, whilst Mtubatuba to the north has also benefited from the increased economic expansion.

The development of a new tarred road between Hluhluwe and Manguzi (currently under construction), known as the Lubombo Spatial Development Initiative, is bound to benefit the villages of Hluhluwe and Mbazwana. The ultimate aim of the Lubombo Spatial Development Initiative is to link Maputaland with Maputo in Mozambique (namely the Maputaland Corridor).

- Not all towns in the northern part of KwaZulu-Natal, however, are benefiting from economic growth and, in fact, some are experiencing either a decline or stagnation, such as Vryheid, where formal employment has been lost due to the closure of mines in the area. Stagnation is being experienced in Newcastle, Dundee and Dannhauser, where there is little demand for new shops and traders in these towns are currently achieving average turnovers.
- The southern part of KwaZulu-Natal has recently experienced retail developments at Port Shepstone, Kokstad and Harding and the extension of Shelley Centre near Margate. In general terms, economic growth is slow as the South Coast seems to have lost its popularity as a tourism destination for domestic tourists from the inland provinces. Prospects for large scale factory and infrastructure developments in Southern KwaZulu-Natal seem improbable in the next decade. Agriculture, forestry and tourism will remain the major primary economic activities. A revival of the South Coast as a tourism destination is probably the key to some economic growth, in particular linking southern KwaZulu-Natal with the Eastern Cape coast (Wild Coast) by a new tarred road.

- The final observation with regard to assessing the macro level is that of psychological resistance which is linked to perception of political instability, crime and ethnicity. Reports on crime and violence will firstly scare away investors from the province as a whole and in particular from shopping centre development as a long term investment in KwaZulu-Natal. Political unrest in Richmond, has without a doubt, affected the retail market in that small town and the potential development of a taxi rank shopping centre (proposed before the unrest) has to this day not commenced. Crime and tribal fighting have cast a shadow over the prospects in Tugela Ferry, whilst the invasion of private property and the inability of the local authority and politicians to assist in rectifying the situation has led to the demise of a potential project in Edendale township, outside Pietermaritzburg. The withdrawal of many national retailers and retail banks from the townships and rural villages has created a “fear” of black areas by mostly white managers (Shopping Centre Profile, November 1992 : 13) and “Afro-pessimism” has become a world wide barrier to financial investment in emerging markets. Traders who do not believe that it is possible to make a business succeed in a black area will not be persuaded to do so by any amount of conclusive research. It will thus take time for new successful entrepreneurs, focussed on the black market in South Africa, to emerge.
- An meso level assessment in terms of locational strategy focuses on a particular town, village or trade area and reviews issues of over- or under provision of retail space in a particular market but also reviews the quality of the retail structure and traders. Thus an absenteeism of national traders in a market dominated by independents is also an indicator of potential for shopping centre development. From a retail provision perspective, an opinion is usually expressed on whether a market is over provided, saturated, under provided or declining. Table 10.1 highlights the classification based on experience, observation and consultation with national tenants on the present rating of a number of commercial nodes in KwaZulu-Natal.

Table 10.1 Retail development potential, KwaZulu-Natal, 2000

Over provided	Saturated	Under provided	Declining
Pongola	Empangeni	Ulundi	Weenen
Estcourt	Richards Bay	Hluhluwe	Colenso
Eshowe	Newcastle	Nongoma	Moorriver
Manguzi	Vryheid	Nkandla	Bulwer
Mkuze	Ladysmith	Hlabisa	All commuter stations
Kokstad	Pinetown	Paulpietersburg	
Scottburgh	Port Shepstone	Nqutu	
Greytown	Mtubatuba	Bergville	
Tugela Ferry	Jozini	Underberg	
	Stanger	Ixopo	
	Dundee	Umzinto	
	Matatiele	All black townships	

- Under provided markets indicate immediate opportunities for additional retail facilities. There are two categories in this group, namely those places where current trading is good, vacant space is not available and rentals are at a premium such as Ulundi, and Umzinto, and secondly there are places which are losing sales and shoppers to other trade areas, simply because of a lack of proper retail facilities such as Nkandla, Hlabisa and Hluhluwe.
- The under provision of retail facilities in townships needs special reference. Current township shopping behaviour favours the CBD. Although the under provision is a fact (when measured against the principle that the majority of shopping purchases usually take place close to the place of residence), the probability of establishing new shopping centres rendering acceptable returns on investment is still a very remote possibility. Temane (1992:47) offers some explanations for this situation, which are linked to the following factors:
  - Travelling to centres outside the township is part of week-end entertainment for the township resident;

- Many townships were depopulated of A and B income earners following the abolition of the Group Areas Act;
  - Poor planning and poor infrastructure would make site assembly in the best locations for new shopping centres very difficult;
  - Most residents buy small quantities on a frequent basis near their place of work. Shopping during the day is limited to normal trading hours (8 to 5) and would not suit many residents;
  - Vested interest and resistance from spaza shop owners would see new large-scale shopping centres as competitors and would or could use public opinion to oppose such developments;
  - The present pattern where at least 80 percent of purchases is made outside the township boundaries will not be easily changed;
  - A change in attitude from the township operators can only be expected when there is a greater balance of mixed areas, employment opportunities, income and consumer spending power;
  - Township people need to change their attitudes towards local shopping, which will probably only occur once visible signs of successful partnerships between black and white enterprises in townships have been established.
- A move to develop retail facilities at railway stations in the townships by Intersite after 1994 has not rendered any significant impact to establish a new popular form of retail type, as commuters prefer to shop near their places of work during lunch hours. The attraction of metro rail as public transportation has also diminished in popularity.
  - The general site location principle in the emerging markets of KwaZulu-Natal is to be as **close as possible** to the public transportation facility, which is usually a **taxi rank** or taxi and bus rank combined. In areas where a formal rank does not exist (but an informal one does), an opportunity could present itself for the rank to be relocated to a suitable site. However, the relocation of a rank is a very

contentious issue and needs to be handled with the full co-operation of the taxi association and local authority. Successful relocations have occurred at Mtubatuba and Harding (the latter process took four years of negotiation). In those areas where formal ranks do not exist, the threat of the rank moving to another location is a very real possibility. The “first prize” thus is to develop a rank at the existing or preferred location for all parties and secondly to develop a centre only once a formal rank has been established. However, not all ranking places have development potential (some are just informal pick-up points) and not all rank developments are unqualified success stories. Research at the micro level addressing the suitability of locations has to move beyond mere observations or “check lists”, it requires a deeper understanding of the behaviour patterns that has evolved over time, thus the history, culture and spatial behaviour of the people in the prospective trade area must be understood.

- Not all traders want to be located on the rank, thus other **central locations** in close proximity to the rank are also popular. In this regard, hotel sites in small towns render some opportunities for shopping centre development. Most of these hotels have good locations in the centre of town, but have diminished in viability due to the emergence of the guest house concept in South Africa over the past decade.
- Another micro location of interest is close to the **main road** entrance to a small town or village where a petrol filling station with a small shop and fast food facility can be established. When a shopping centre is justified for such a site, then adding a filling station greatly enhances the economic viability. Main road entrance locations are also considered the most desirable in black townships (Scott, 1986: 43; Kahn, 1981 ).

## 10.2 Research and consultation strategies

### Goals:

- to base the development decision on sound market potential study(s); and
- obtaining acceptance or rejection of the project in the shortest possible time.

### Objectives:

- Execute a demographic-based viability study, including trade area analysis;
- Engage time and cost effective research studies;
- Determine the legitimacy of interest groups;
- Promote the project at a political and community level;
- Address negative perceptions and community concerns.

### Strategies:

- Engage the services of experienced professionals (team of researcher(s), town planner, architect, traffic engineer, environmentalist, letting agent);
- Align the development objectives with that of the community;
- Focus on new trends;
- Be honest and transparent in negotiations.

### Guidelines:

- Not all shopping centre developments require a full scale and expensive empirical demographic research study. The availability of reliable census data since 1999 per enumerator area for the whole of South Africa and computer technology, utilizing geographic information systems (GIS) have made a considerable difference in speeding-up viability assessments and have consequently reduced basic research costs dramatically.

- In the case of emerging markets, where cost savings are an important matter and research budgets limited, the methods as described in chapter 7 to 9 of this study could assist developers and researchers with the initial screening of trade area buying power potential. However, verification of the assumptions made in terms of market share could be achieved by the developer by studying the retail patterns and quality of traders and competition in a specific trade area.
- Where developers require a professional researcher to conduct the study, the extent of empirical surveys could be limited to shopper surveys in order to determine trade area delineation or alternatively, to save even more costs and time, an experienced researcher in trade area demarcation could establish the approximate primary trade area range by consulting taxi drivers and rank managers, as well as physically driving the different transportation routes linking the central place with the surrounding population and logging the estimated break points with a GPS (global positioning system).
- Future shopping centre research, with regard to emerging markets, should focus more on economic trends and variations in income, consumer behaviour, product selection, tenant mix, the impact of e-commerce, changes in health (AIDS), and management strategies. Changes in consumer spending patterns should be ongoing research, assessing for example, the impact of cell phone usage (which seems to be the new status symbol of the lower income earners) and gambling habits (casinos and the new national lottery) which have reportedly had a substantial impact on diverting buying power away from retailing (Prinsloo, 2000).
- There is also the issue of black aspirations in the new South Africa, and how they affect the retail industry. In the case of product branding, blacks

do not necessarily want to see “black brands”, as experienced by spaghetti manufacturer, Fattis and Monis (The Independent on Saturday, 25 September 1999):

‘ “Not too many years ago blacks simply didn’t eat pasta” Kubheka said. “Suddenly Fattis & Monis didn’t know what hit them as consumption of pasta among blacks rocketed”. This was one example of many instances where black middle class aspirations have become indistinguishable from those of other racial groups’.

- Changes in black consumer spending on cosmetics have also been observed. The Financial Mail (14 April 2000) reports as follows:

“Foreigners woo black consumers while local companies doze. ... these companies are waking up to the potential of the black cosmetics market - especially hair care - long dominated by small and largely family-owned US companies. ... major SA retail chains have black hair-care products on their shelves but have yet to figure out how to get black consumers to buy them”.

“Charlie Parkers’ CEO Perry Bhavan says his group’s advantage over the major retail chains is that his staff are familiar with black consumers’ concerns and can answer their questions.... Now multinationals and retail chains are waking up to the fact that black is not only beautiful but can be profitable too”.

There could be no doubt that in order to understand the **fast changing** black market in South Africa (an emerging market), research has to focus on black spending power and black aspirations. The outcome of black

shopping behaviour will ultimately find its way into the shopping centre industry. Only the open-minded, conscientious and knowledgeable landlords will notice the trends and adjust the tenant mix accordingly, and reap the benefits.

- This study has shown that a **household income** profile approach should be considered as an appropriate fundamental and generic format to assess retail buying power as constituting **non-racial** methodology. What needs to follow is more in-depth research into black consumer behaviour in terms of product selection. The perspective and activities of development research (including geographers) need to be broadened to assist with appropriate tenant selection and marketing of shopping centres.
- Consultation strategies (approaching political and community interest groups) for emerging market shopping centre development should focus on comprehensive consultation with formal and informal structures and interest groups. The process of consultation is in principle not different to that of any First World system in that approval from the local authority must be obtained through a process of public participation. The need to involve community structures addresses the principle of transparency. Black people, in South Africa in particular, have been ignored in the consultation and decisionmaking process in the past and are therefore still sensitive to initiatives from white business people. The best approach in African areas is more one of attitude rather than “protocol” (which is also important). Attitudes should be based on the principles of “ubuntu”, highlighted in chapter 2.
- Access to tribal land acquires a delicate approach by prospective developers. It has been, according to Xaba (1991), the biggest stumbling block to economic development in rural KwaZulu-Natal. Tribal land in KwaZulu-Natal belongs to the Ingonyama Trust and is administered by the

Ingonyama Trust Board. King Goodwil Zweletini, head of the Zulu clan, remains the custodian of tribal land. The Ingonyama Trust is assisted by the Department of Traditional and Land Affairs (seated in Ulundi) with the administration of tribal land occupation. The head of each tribal ward is known as the Inkosi. Collectively they are known as the Amakhosi. The Amakhosi are the traditional leaders of the Zulu tribes, whilst each Inkosi is assisted in tribal matters by a Tribal Council. Land, however, cannot be purchased, but a permission to occupy (PTO) or a long-term lease may be negotiated with the Ingonyama Trust. Whichever land tenure type is sought, acquisition cannot be obtained without the approval of the tribal authority and the Inkosi.

Once approved by the tribal authority, a letter of approval must be obtained and submitted to the Head, Traditional and Local Government Affairs for ratification and documentation. Where an applicant wishes to obtain a lease, the application must be referred to the Ingonyama Trust Board. All consultations with the local Inkosi will happen at the tribal court and although the facilities are rudimentary, the negotiation and technical skills of the Inkosi and tribal council must not be underestimated. Several meetings will take place on a fortnightly basis whereby information is exchanged and trust between the parties developed. In the final analysis the process is no more or less time consuming than dealing with a more sophisticated planning authority.

- Consultations, however, should not be limited to the formal structures only, but should include taxi and hawker associations and the local employment forum which oversees the interest of local unemployed people. Tribes are very protective of their own and believe local people must get the first opportunities for employment. Creating expectations with respect to employment opportunities may be part of the “selling technique” but could rebound once the centre has been established and the

expected “employment for locals” has not materialized. The consultation process does not stop with the granting of development permission, but continues throughout the construction period (to ensure employment for locals) and the micro tenant selection phase as each “local” applicant (excluding national chains) needs to be authenticated by the tribal council. There is always the danger in broad consultations that some local interested parties may see an opportunity to benefit personally from the proposal by laying claim to the land.

### 10.3 Design and tenant mix strategies

#### Goal:

- To create a secure, quality, user friendly shopping environment that will attract the attention of traders and shoppers in sufficient numbers to ensure profitability.

#### Objectives:

- To achieve operational and commercial efficiency in design and tenant selection;
- To enhance the cumulative drawing power of tenants by selection;
- To add facilities for hawkers, taxi’s and the community if required;
- Pre-let at least 60 percent of lettable area including anchor tenant.

#### Strategies:

- Align the development objectives with the financial objectives i.e. low development and maintenance costs;
- Retain flexibility by simplifying the layout;
- Adhere to the fundamentals of a good design as experienced in First World markets;
- Focus on retailers familiar with the emerging market segment, in particular national and regional tenants;

- Incorporate environmental responsibilities.

Design guidelines:

- The fundamentals of a good design will take cognisance of manipulating the pedestrian flow pattern by utilizing the supermarket as an anchor or magnet to create the desired movement of people and thereby allowing good pedestrian exposure for the line shops. Line shop retailers assess the suitability of a location within a shopping centre in terms of the passing traffic (feet), visibility and proximity to the anchor tenant and other tenants (Warrington 1994).
- There are, however, peculiarities with respect to a taxi rank development (taxi city) which are probably unique to South Africa. The main elements of a good taxi rank development will be highlighted with reference to Ithala Centre: Harding (figure 10.1), which is considered to be very close to the ideal.
- There are four design principles considered critical to the success of designing a taxi-rank development in South Africa, namely:
  - Functional clustering and separation of the main functions i.e. rank, public parking, retail shops, hawker stalls;
  - Placing the shopping centre between the rank and retail/commercial heart of the node;
  - Inclusion of a supermarket and the manipulation of the entrance location in the centre;
  - Providing micro shops (for emerging traders) in close proximity to the ranking activities.



room for taxi association meetings, wash bays, public toilets, overflow parking or holding area for waiting taxis, undercover seating for waiting passengers, undercover hawker stalls (preferably close to loading bays), shelter for the goods of passengers utilizing pick-up van taxis ("bakkies"). These facilities are all consolidated in one area to allow for easy management and functional integration (hawkers serving waiting passengers). The taxi rank is also separated from the public parking and the rank has its own vehicular circulation. Mixing taxis and private vehicles must be avoided where possible. These principles were applied in Harding by locating public parking at the opposite entrance (from the rank) and constructing a separate service road for delivery vehicles and secure tenant parking for private vehicles. The consolidation of the rank also allows for definitive demarcation of responsibilities where management of the rank is the responsibility of the Local Council and the Taxi Association.

- The placing of the hawker stalls (which are usually provided free of charge) are also consolidated along two strips on both sides of the rank. The stalls are not integrated with the shops and hawkers are not allowed on the paving in front of the shops. There are separate walkways between the stalls and the formal shops. The stalls are also designed to allow for easy flow around the stalls and "through-flow" of people (Dewar and Watson, 1990, recommended similar design in a study of hawking facilities).
- The principles of clustering (affinity) and separation were also followed with the design of the formal shops. There are usually three broad categories of formal shops in shopping centres in general; namely, anchor tenants, major national or regional line shops and smaller independent shops. In the case of emerging market tenants there is a fourth distinct category, namely micro shops. These shops are designed to accommodate

traders “upgrading” from hawkers status to a more formal business who will be paying, in most cases, rent for premises for the first time in their lives. These traders still have an affinity with hawkers and the rank and are therefore most comfortable being close to the rank, hence they are located in Harding on the outside of the arcade (shops 21 to 27). The micro shop sizes range from 13 to 35 m<sup>2</sup> (majority are 17 m<sup>2</sup>) and are fitted with water, pre-paid electricity metres, ceilings and lighting, one power point, vinyl floors and cottage pane double doors for shopfronts. The finishing standards are thus relatively high, although not as high as in the main arcade. Rental levels for these micro shops are approximately 15 percent lower than in the main arcade. Typical tenants renting micro-shops are hair salons, eating houses (micro restaurants), takeaways, herbalists, photo studios, insurance/financial services offices, dressmakers, phone shops (including cellular), ice cream shops, cosmetics, general merchandise.

- Security is an important issue at taxi rank developments and can best be obtained by following the principles of consolidation and separation in the design. In cases of open plan centres, shopfronts are usually secured with solid roller shutter doors - which is a costly exercise. Security to the back or loading areas is also important and the refuse area of the anchor tenant is designed to be emptied externally to the loading area, whilst filled from the inside. In terms of building regulations, fuel and gas sales must be at least three metres from the main building. Illuminated paraffin is an important domestic fuel source in rural areas and essential to the variety of services rendered by the supermarket anchor tenant. CCTV systems have proven to be more of a deterrent - hence its visible installation features - than the impact of apprehending and convicting criminals.
- Formal promotional facilities (raised undercover platform) are also an important feature although not essential. A well-organized promotion will attract large crowds of people (part of the shopping entertainment

experience for rural people) and is best located near open space or parking areas, but away from the main entrances as capacity crowds during promotions could either block entrances or damage shopfronts.

- Taxi rank environments are places of high pedestrian traffic and must be robust as ‘wear and tear’ on buildings could be high, in particular with respect to garbage generated by the shoppers, who unfortunately do not yet seem to have grasped the essence of utilizing dustbins. Face-brick walls and brick paving are often used to create a robust environment, although ceramic tiles were used in the Harding arcade (fully enclosed) and for shopfront surrounds. This finish is easy to clean and very durable but more expensive than brick paving. The additional advantage of ceramic tiles is that it enhances the appearance and standard of the centre.
- One of the more unique features at a taxi rank, addressing the possible abuse of public toilets, is the informal “privatization” of the public toilet facility, which is controlled by an individual, running the operation as a business, by selling toilet paper at the entrance in exchange for the opportunity. This ensures cleanliness and security. The landlord thus benefits in terms of maintenance savings.

### Tenant mix guidelines

- Varying threshold levels are gauged to determine the probability of achieving minimum turnovers and can be assessed by means of the relationship between income and expenditure as discussed in chapter 8. With regard to the lower income sector, there is an obvious logic that prevails in terms of the most likely and unlikely tenant types that the market needs and can support. It is highly unlikely, for example, to find enterprises and shops such as toys, art, garden and pool, interior decorators, cinemas, florists, travel agents, pet shops, doggy parlours, video, luggage, computers, and antiques in a low income market. There is simply no sufficient demand for these operations which are more common in high income markets. On the other hand, there are shop types very common to the lower income market such as supermarkets, clothing and furniture. To be cost and financially productive, supermarket lettable area, in the total development, should not exceed 30 percent.
- Shops requiring a higher threshold level such as jewellers, fabrics, wholesalers, motor vehicle sales and services and attorney offices, are found at higher order centres such as small and large towns.
- Some emerging market retailers such as Pep Stores, Profurn, Ellerine, Boxer Cash and Carry, Boxer Supertrade, Rhino Cash and Carry, Tradestar and Jock Morrison and Sons focus on rural areas. Profurn's target market, for example, is people earning between R750 and R2 500 per month. Profurn was also the premier JSE (Johannesburg Stock Exchange) earner in 1998 (highest returns on shares) and in addition is one of the companies spearheading South African retailing into the rest of Africa. Profurn had established 64 outlets outside South Africa by 1998 and is the biggest furniture retailer in Botswana and Namibia. What Profurn is doing for the furniture market in Africa, Shoprite/Checkers is doing for supermarket

trade. Table 10.2 highlights the most common tenants found in rural emerging markets in KwaZulu-Natal (Annexure A: Umlazi township shops).

Table 10.2: The most common tenants in emerging market shopping centres

No	Tenant type	Typical GLA (m <sup>2</sup> ) range
1	Supermarket	450 - 3000
2	Clothing national	200 - 450
3	Clothing independent	60 - 200
4	Furniture national	250 - 600
5	General dealer (national) (i.e. Diskom, Snip)	250 - 350
6	General dealer independent	75 - 150
7	Fast food	55 - 150
8	Hair salon	15 - 60
9	Liquor	85 - 200
10	Hardware	150 - 450
11	Shoes	75 - 150
12	Pharmacy	45 - 150
13	Banks	150 - 350
14	Cosmetics	15 - 50
15	Medical (general practitioner)	60 - 120
16	Phone shops (exchange and cellular)	15 - 35
17	Herbalist	15 - 25
18	Music shop/ record bar	15 - 45
19	Butchery	75 - 200
20	Financial services (loans and insurance)	45 - 120

- The high incidence of furniture shops in the tenant mix of an emerging market shopping centre in South Africa is the single biggest anomaly and deviation from the tenant mix usually associated with neighbourhood-type centres. Phone shops (from which calls are made) and herbalists (traditional medicine) are unique to the black market and indicative of cultural and economic influences.

- The establishment of commercial banks at village level and within the townships is another common problem in KwaZulu-Natal and other predominantly black rural areas such as the Eastern Cape in South Africa. The economic viability of these locations is a problem for commercial banks as revenue earned from loans and service fees is directly related to the staff, security and transportation costs of these remote areas. KwaZulu-Natal has been fortunate in that some banking service is provided by Ithala Bank, a subsidiary of the provincial development corporation (Ithala). This bank, however, is only a savings bank and does not offer cheque and ATM facilities. Ithala Bank is virtually the sole provider of banking facilities in Maputaland. The issue of ATM facilities has been addressed by the major supermarkets in the rural areas with the establishment of in-store ATM's in the form of a "franchise" arrangement with a commercial bank. The cost of servicing these ATM's is reduced by the supermarket operator stocking the facility from the cash generated by the store.
- Finally, in terms of the inclusion of entertainment facilities such as cinemas, which is very uncommon in the black emerging market, attempts have been made to establish such facilities in the past and have all but failed. A freestanding cinema with capacity for 400 people used to exist near the Umlazi Shopping Centre in the 1980's, but became politicized and eventually closed down in the early 1990's. An attempt in the mid- 1990's to establish a cinema franchise, known as Maxi Movies and "tailor-made" to empower black entrepreneurs has also failed. The concept was designed around a 95- seater screen, utilizing video technology and requiring premises of approximately 250 m<sup>2</sup>. The set-up cost would have been in the order of R350 000-00. A number of franchises were established outside the province of KwaZulu-Natal (Sheshego - Northern Province, Charltonville - Gauteng), but attempts to establish outlets in KwaMashu City Centre and Ondini Plaza (Ulundi) did not materialize and to date only two

(Ladysmith, Vryheid) Maxi Movie cinema have been established in KwaZulu-Natal.

- Another form of entertainment facility more common in shopping centres in KwaZulu-Natal, is electronic and table games and taverns (on-site consumption). The games-type operations in emerging market shopping centres have, however, had a negative impact on security by virtue of attracting young unemployed males. Combined with the illegal consumption of alcohol, this has often led to conflict behaviour in the public areas of the centre. Thus, as a matter of principle, shops of this type are avoided in the Ithala commercial portfolio. The lack of viable entertainment facilities in emerging market shopping centres has been compensated by the increase in the number of television sets with the large scale electrification programme in rural areas as a governmental priority, whilst the traditional shebeen and home tavern have become “legalised” by not being prosecuted. Furthermore, the shopping trip itself is seen as an entertainment event and social events such as weddings and funerals are also big events in African culture. There is thus, for the time being, sufficient “home entertainment” that “fits the budget” for the black market. This is not to imply that black people do not patronize movie cinemas, theatres, entertainment or theme parks, “water worlds”, casinos and holiday resorts. In fact, the emerging black market prefers to utilize the existing facilities located outside the townships. Thus, the entertainment facilities located in, for example, the central business district and beachfront of Durban are now utilized by all ethnic groups in South Africa.

## 10.4 Financial strategies

### Goal:

- To obtain an income stream of sufficient quantity ensuring that the financial obligations are met.

### Objectives:

- Balance the risk profile of location, land, building and tenant quality;
- Select tenants with a strong balance sheet and business acumen for at least 70 percent of lettable area;
- Negotiate favourable and sustainable rental and lease terms;
- Mobilise public funding or equity contributions if possible;
- Obtain local authority and taxi association commitment to maintain and manage taxi ranks, where applicable.

### Strategies:

- Keep costs as low as possible on all accounts;
- Consider turnover clauses to supplement basic rent;
- Maintain market related levels for rural areas;
- Accept the principle of compromising in the interest of longer term benefits;
- Focus on national and regional tenant participation;
- Ensure that negotiations are concluded in writing prior to commencement of construction work.

### Guidelines:

- The four key financial strategies revolve around:
  - rental income,
  - management expenses,
  - development costs; and
  - financing.

- The principle of achieving the lowest cost scenario stems from the fact that some of the lowest achievable rental rates are associated with emerging market retail locations. There is only one rental strategy that can marry the objective of minimum rental (the tenant's objective) and maximum rent (the landlord's objective) and that is a turnover rental arrangement. To ensure that the desired minimum rental income is achieved (based on the required minimum return on investment - ROI ) a base rent is negotiated that will escalate with or slightly above the inflation rate. A turnover rental clause stipulates rent as a percentage of turnover, determined on an annual basis by means of audited sales figures, payable in arrears and entailing the greater of the two (base rent and turnover rent). If the turnover rent is greater than the base rent, then the difference is payable, if the turnover rent is less than the base rent, then no payment is due.
  
- Management expenses focus on the day-to-day management items of lease administration, security, cleaning and maintenance, as well as long-term fixed expenses such as insurance, rates, land lease payments (where applicable), communal water and electricity.
  
- Guidelines to keep management costs as low as possible include:
  - Substituting a full-time manager with a care-taker arrangement with one of the tenants;
  - Reducing the number of security guards with the installation of CCTV security systems linked to a private security firm with a reaction unit;
  - Designing the centre layout with security in mind, whereby the centre can be locked with gates after hours;
  - Security fencing and entrance gates for the perimeter;
  - Negotiating the cleaning, securing and maintenance of the ranking

facility with the Local Council, taxi and hawker associations in exchange for providing the facilities;

- “Privatising” of public toilets;
- Designing low cost maintenance buildings with the careful selection of building materials;
- Avoiding the provision of airconditioning, but if provided by the landlord, the tenant takes responsibility for the maintenance;
- Not purchasing the rank portion of the land but leasing it from the Local Council (head lease), developing the facility and then leasing it back to the Local Council and Taxi Association jointly at the same rate. The payment of rates on the rank portion is thereby also avoided. Ranking facilities are considered a public facility and therefore, strictly speaking, the responsibility of the Local Authority. However, many small town Local Councils do not have the financial resources to develop a ranking facility, which, depending on the size, could range from R400 000-00 to R3 million. The “taxi city” developments have thus emerged as a means, for Local Councils, to obtain private sector developers to provide the facilities. The cost of maintenance of the rank, however, must not be overlooked by the developers and should best revert to the Local Authority and Taxi Association - hence a lease-back arrangement.
- Designing centres with natural light (open plan) assists in limiting communal electricity expenses. Night-time lighting can be limited to a number of floodlights erected high on the main building. Emerging market shopping centres are hardly utilized after hours, therefore, night-time lighting is mainly for security purposes.
- Developing a shopping centre for “security” and for “low maintenance” and to be aesthetically pleasing definitely does not constitute the “lowest cost” method. In addition, building in rural areas, on average is more

expensive due to transportation costs, than building in metropolitan areas. Thus achieving the desired design and cost balance needs a creative approach. However, there are some other benefits in rural areas which are conducive to cost reduction, namely:

- Uncomplicated layouts, open plan centres and straight line modular design, lightweight roof structures, reduced shopfront dimensions;
- Lower parking ratios (usually 2 per 100 m<sup>2</sup> as opposed to 6 per 100 m<sup>2</sup> of lettable area);
- Lower land prices;
- Absence of functional local council, requiring low bulk service connection fees and low rates or even no rates;
- Construction method is changed from a main contractor to that of construction management where the building contract is performed by various sub-contractors under the supervision of a contract manager. Whilst the reported saving in capital expenditure is approximately 10 percent, a longer construction period is usually required;
- The professional team required for an “uncomplicated design” could be reduced in number. Responsibilities and fee packages of 10 percent as opposed to 15 percent could be negotiated;
- Contributions from regional authorities for the development of taxi ranks could possibly be obtained, but would require an early application (12 months before construction).

Obtaining finance for a shopping centre development in an emerging market location in an economic climate of fluctuating interest rates is extremely difficult and risky. Prior to the international Asian money market crisis of 1998, which exposed the vulnerability of all emerging markets in an era of globalization (free flow of goods and commodities between countries on a global scale), investment and financing for shopping centres in South Africa in general were well supported by financial and investment institutions. The poor performance of fixed property investments on the JSE (Johannesburg Stock

Exchange) in 1998, has moved sentiment, temporarily away from property investment. Investment into existing, well performing shopping centres as part of a listed property fund, however, has regained moment in the last year.

- However, financing an emerging market shopping centre scheme is not impossible, but would have to comply with some stringent requirements from the financial institutions, which would include the following criteria:
  - Commitments from national/regional tenants for at least 70 to 80 percent of lettable area;
  - The applicant must be financially secure as only 70 percent of the required funding will be loaned;
  - The location is considered to be good and finding replacement tenants, if necessary, would be highly probable;
  - A demographic study, feasibility and viability study have been compiled;
  - A quality design is presented, backed by the appointment of reputable building professionals;
  - Land tenure must be at least a long-term lease and notarially registered in favour of the financier;
  - A partnership arrangement where at least one of the partners is an experienced commercial property developer would be preferred;
  - All local authority and zoning approvals have been obtained.
  
- The financial involvement of governmental agencies and local authorities in shopping centres in South Africa has been minimal (as experienced in the UK and Singapore - chapter 4 and 5). Although a policy of Public Private Partnerships is intended to change the situation, project implementations on a large scale have not yet materialized in South Africa.
  
- The commercial property developments performed by the Ithala Development Finance and Investment Corporation Limited (Ithala) in

KwaZulu-Natal are the exception to the rule. Ithala has invested more than R250 million in 36 commercial centres since 1979 (see chapter 5), of which 16 projects are considered large one-stop shopping centres. The Sunday Tribune Business Report (19 November 2000 : 3) reports as follows on the Ithala commercial portfolio's performance:

“Ithala is the only organisation in KwaZulu-Natal operating on this scale in the commercial sector in the peri-urban and country areas.”

“Ithala's development philosophy is to take retailers, especially national chain stores and well-known supermarket operations, to the people. This helps stem the outflow of wealth from the rural areas and contributes to the growth of the local economy by stimulating job creation and promoting entrepreneurship among the previously disadvantaged.”

“Characterised by a mix of national and local tenants, Ithala's one-stop shopping complexes were generally established in areas where small-scale retailers would not be viable without the drawcard provided by well-established chain stores”.

Ithala, thus, as the provincial development corporation, purposefully selects higher risk emerging market locations whilst the private sector remains committed to larger urban areas - perceived to be less risky. The revival of development corporations (managed on business principles) on a national scale could, as a governmental objective, make a major contribution to stimulating shopping centre development in the neglected emerging markets in other provinces in South Africa.

## 10.5 Conclusion

The fundamental strategies applied to emerging market shopping centre developments in KwaZulu-Natal do not differ from the general theory on shopping centre development. For a shopping centre to be successful, there have to be sufficient buying power and people in close proximity to a proposed location. Economic growth, suburbanisation and high levels of private vehicle usage have fuelled the development of First World shopping centres in suburban locations, whilst the emerging market of KwaZulu-Natal's dependence on public transport still confines their shopping behaviour to central business districts, regardless of whether they are in a metropolitan or rural area.

In addition to sufficient disposable income, there have to be retailers willing, able and skilled on a national scale to serve emerging markets. There have to be shopping centre developers prepared to venture large sums of capital in emerging market locations and financiers willing to assist developers in emerging markets.

The methodology required to assess the viability of shopping centres in emerging markets can be linked to the existing theory and body of academic knowledge. An ethnic distinction is not required and a differentiation between "black" centres and "white" centres should be replaced by a differentiation between low income and high income shopping centres or emerging market and First World shopping centres.

There are many similarities between First World shopping centres and those of emerging markets, however there are also deviations as highlighted in table 10.3.

Table 10.3: Similarities and deviations of emerging market shopping centres with that of First World shopping centres

Similarities with First World centres	Deviations from First World centres
Visit the nearest shopping place that serves the needs	The nearest shopping place is not necessarily near home
Convenience is measured by the ease of accessing locations by means of vehicles (private or public)	Taxi routes and trips are mostly geared to serve CBD locations and freedom of movement is limited, thus multiple shopping centre visits are limited
An increase in disposable income will foster aspirations to purchase more durable goods	Range of durable goods is smaller
Served by the same national traders who distinguish between the different income groups through product or shop branding (market segmentation)	Range and number of national traders are less
Shopping centre locations are aimed at most accessible vehicular location	Taxi and bus ranks are considered the most accessible locations
Continued growth in variety of products and shop types	Growth in variety is lower
Shopping centres are developed through a process of consultation	Consultation is extended to incorporate formal structures outside the "normal" requirements
Supermarkets are the most important anchor tenants	Supermarket sizes are smaller
Centre design principles are the same	Design principles are extended to include formal hawking and ranking facilities
Most important line shops are national traders	More furniture traders than usual at the neighbourhood level
Independent traders are allocated smaller shops and less space in the total project	Independent traders are even smaller and limited entrepreneurs exist
Informal trading exists	Informal trading is rife and more prominent
Entertainment facilities are shared	Limited entertainment facilities, prefer First World facilities in First World locations
Rental structure "subsidizes" anchor tenant. Highest rent paid by line shops	Rental on line shops is not as high as experienced in First World centres
Development costs have the most influence on the projected financial returns and rental levels	Development budgets are substantially less than in First World shopping centres
Convenience, quality, variety and price sensitive	More price sensitive

The issues of major concern regarding the long term viability of shopping centres in emerging market locations are:

- political stability
- crime and violence

- health and AIDS
- financial stability and unemployment
- lack of entrepreneurial spirit, financial resources and management acumen
- lack of new breed of emerging entrepreneurs, in particular new retail chains
- the future of townships and the possible transformation in planning to sustain growth and investment

The lack of governmental assistance in the planning process to encourage development in high risk and emerging market locations is profound. The private sector, is unlikely to venture into township locations on a large scale in the present economic climate and present shopping behaviour patterns of township residents. There are psychological resistance and legitimate business viability concerns. The lessons from the UK, USA, Singapore and Ithala Development Finance and Investment Corporation Limited in KwaZulu-Natal indicate that incentives and financial assistance will be required to justify shopping centre investment in townships (if market related returns are to be achieved). Transformation of townships from a town planning point of view will have to happen and accessing optimum retail locations will possibly require expropriation which can only be achieved with governmental assistance. The natural attraction for shopping centre investors is high income areas.

The alternative of market-type informal retailing, is not “natural” shopping places for South Africa’s emerging markets. Even flea markets, and “container shops” are below the aspirations of the South African emerging market. Shopping centre developments in townships thus hinge on a financial viability exercise where the relationship between buying power, spatial shopping behaviour, market share and profitability for retailers have to be established to justify developments of adequate standards “closer to the people”.

## 10.6 Final conclusion

The “mystery” of emerging market shopping centre development potential can be “demystified” by:

- acknowledging that severe levels of poverty are associated with emerging markets;
- looking beyond the levels of poverty at the aspirations of Africans, which are economically not different to that of any other South African;
- by establishing the actual buying power, household and population numbers at micro level;
- acknowledging the uniqueness of every market as a point of departure in market research;
- rejecting “quick fix flag ship” solutions and focussing on both convenience and aspirational shopping;
- comprehending that a large pool of African entrepreneurs does not exist at present as a result of *apartheid* politics, and it will require time and capital investment to establish such a class of entrepreneurs in the retail industry;
- understanding that fundamental changes in the economy and redistribution of wealth, in favour of the African market is required before emerging market shopping centre development will flourish in quantity and quality; and
- studying the emerging market from within its own unique culture (the way people think and behave within the constraints of their economic reality).

Strategy is about “clever plans” and “clever methods” i.e. application of methodology that makes a significant contribution to achieving success in shopping centre development. The methodology that have been highlighted with this study is in essence the same as for any shopping centre development and requires only three fundamental steps, namely:

- accurate trade area demarcation;
- the gathering of **all relevant information** pertained to the trade area in terms of the population (households), shopping behaviour (including purchase power) and other trading (retail) activities; and

- embarking on creative problem solving in order to create an environment (shopping centre) ensuring commercial success.

Within the foregoing realm, the study concludes, that mechanical methods of demarcating trade areas (such as radii) should be rejected and supports empirical and heuristic methods of trade area demarcation. It is further concluded, that there is no empirical basis for setting trade radii range norms and that each trade range is unique;

Methods of justifying shopping centre development potential based on population numbers and utilizing various general per capita ratio norms for different socio-economic groups are also rejected from an empirical perspective. The base unit of retail consumption is households and the justification of retail development potential should be based on integrating household income and expenditure with the financial requirements of financiers, developers and retailers. It has been demonstrated with this study that such an integrated model can also be applied on a non-ethnic basis.

The fundamental techniques associated with the design of First World local convenience and neighbourhood-type shopping centres is supported for emerging markets. Some minor evolutionary extensions to incorporate public transport facilities (taxi rank) and informal traders are required in some cases. The focus, however, should be on developing smaller shopping centre-types (convenience and neighbourhood), accommodating tenants supplying basic commodities such as food/groceries, clothing, furniture, liquor, hardware and services such as personal care, medical and financial.

Finally, shopping centre development is about entrepreneurship and creativity, requiring a team of committed professionals, skilled in formulating and applying combinations of development strategies for each new opportunity.

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Annexure A: Umlazi retail,  
2000

Business type	Number of shops in Umlazi by area (section)																										Total	Total floor area	Avg floor area	Avg t/d	Sales,2000
	A	AA	B	BB	C	D	E	F	G	H	J	K	L	M	N	P	Q	R	S	T	U	V	W	Y	Z						
Supermarket	1	2	2			2	4	2		1	2	1	1	1		1	2	3	2	1	2	1				34	10506	309	8000	84048000	
Butchery	2	1	1		1	1	1	1			3	3	1	1	2	1	2	2	2	3	1				29	2958	102	12000	35496000		
Liquor		1	1		1	1	1	1			2	1			2	2	1	1		1	3	1			20	3840	192	15000	57600000		
Tavern	2	1			2							1		2	1						1	6			19	874	46	9000	7866000		
General dealer				1		1		1			2	2	2	1	3	1		1	1						16	2496	156	12000	29952000		
Herbalist	1									1	1	1											1		5	125	25	5000	625000		
Spaza/Tuck	2	4	1	4	2	6	2	1	3	10	8	8	6	2	4		1	1	3		1	5	2	3	4	83	1660	20	5000	8300000	
Hairsalon				2	1															1		3	1		11	330	30	5000	16500000		
Tailor/Dresses		1		1																				2	4	200	50	4500	900000		
Catering/Restaurant		1			1								1				1					1			5	250	50	8000	2000000		
Medical		2			1						1	1						2	1		8	4			20	1200	60	7000	8400000		
Phone		1			1	2	1	3	1	3	1	1	1		1		2	1	1	1	1	5	1	1	30	600	20	4500	2700000		
Funeral			1																						1	50	50	6000	300000		
Fruit & Veg										1											1				2	50	25	4200	210000		
Take Away					1												1	2	1		6	1			12	840	70	8000	6720000		
Garage(Fuel)							1										1	1		1	2	1			7	0	0		0		
Laundry										2					1						1				4	100	25	4000	400000		
Bakery										1											1	1			3	285	95	10000	2850000		
Ice Cream										1													1		2	40	20	4500	180000		
Hardware																	1					1			2	300	150	6000	1800000		
DryClean																		1							1	40	40	4000	160000		
NightClub																					1				1	120	120	8000	960000		
Post Office																					1	1	1		3	540	180		0		
Pharmacy																							1	1	2	200	100	20000	4000000		
Auto/Domestic repair																							9	1	10	800	80	8000	6400000		
Bank/ATM																							2	1	3	840	280		0		
Tab																						1			1	120	120	6000	720000		
Telkom																						1			1	100	100		0		
Stationary/Books																						1	1		2	90	45	6000	540000		
Clothing																							1		1	300	300	6000	1800000		
Furniture																							2		2	500	250	6000	3000000		
Video's																							1		1	85	85	9500	807500		
Offices (Estate Agent, Financial)																								4	4	320	80	4200	1344000		
Radio & TV																							1		1	60	60	4500	270000		
Photocopy																							1		1	30	30	3200	96000		
Total	8	17	6	11	14	14	10	8	6	13	25	18	13	6	10	9	10	16	4	9	11	59	37	4	5	343	30849			272094500	

## ANNEXURE B1: LARGE TOWNS

no	1	2	3	4	5	6	7	8	9	10	
Category	Central Places 2000										
Business & Admin Services	DbnPtn	Pmb	Newcastle	Richards Bay	PortShepstone	Margate	Ladysmith	Empangeni	Stanger	Vryheid	Total
1 Retail: Food Supermrkt, Grocer, Butcher			83	29	52	32	54	55	46	35	386
2 Retail: Clothing, Shoes, Apparel			86	31	48	45	76	44	39	42	411
3 Furniture & Appliances			38	18	27	20	37	32	27	27	226
4 Other retail (Liquor, Chemist, etc)			251	183	213	206	152	124	209	133	1471
5 Restaurant, Fast Food, Catering			63	61	46	87	51	31	29	41	409
6 Medical & Health			80	39	61	52	48	33	44	22	379
7 Financial & Postal Services			72	61	69	34	47	63	31	37	414
8 Other Services			138	110	113	165	88	67	91	57	829
9 Wholesalers			33	25	34	19	38	22	25	12	208
10 Industrial Services			91	253	69	44	41	70	36	46	650
11 Engineering & Construction			84	121	89	82	45	91	45	33	590
12 Manufacture, Forestry, Mining			65	30	30	13	49	22	33	15	257
13 Auto & Agricul Service and Products			152	107	144	57	122	146	116	99	943
14 Transport (excl taxi's)			28	48	24	20	27	21	17	18	203
15 Business Support Services			66	153	61	64	45	69	42	28	528
16 Professional Services			45	74	42	36	32	36	20	23	308
17 Real Estate			19	15	15	35	8	22	6	14	134
18 Accomodation & Tourism			23	36	42	121	12	20	9	15	278
19 Educational, Welfare, Sport			66	43	51	49	74	64	45	33	425
20 State & Local Government			19	21	18	17	22	17	17	18	149
TOTAL	32000	7200	1502	1458	1248	1198	1068	1049	927	748	9198

## ANNEXURE B2: SMALL TOWNS

n0		11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	
	Category	Small Towns																				
	Business & Admin Services	Tongaat LaMercy	Howick	Estcourt	Dundee	Kokstad	Eshowe	Mtubatuba	Ballito	Greytown	Scottburg	Pongola	Umzi nto	Matafiele	Man dlin	Harding	Ixopo	Ulundi	Richmond	Nongoma	Bergville	Total
1	Retail: Food Supermkt, Grocer, Butcher	46	12	15	19	20	20	21	3	13	13	10	20	14	10	11	7	6	14	11	16	301
2	Retail: Clothing, Shoes, Apparel	30	12	28	23	24	30	18	9	19	11	12	17	26	9	12	9	12	4	12	5	322
3	Furniture & Appliances	10	9	19	13	15	12	11	5	8	6	8	11	18	5	8	4	10	2	6	6	186
4	Other retail (Liquor, Chemist, etc)	134	84	89	85	73	58	55	49	62	46	36	49	48	27	49	44	21	23	27	30	1089
5	Restaurant, Fast Food, Catering	29	22	30	15	19	11	17	25	14	14	17	6	9	7	10	8	12	6	10	6	287
6	Medical & Health	50	40	16	20	14	11	14	24	12	17	15	19	10	11	6	7	3	9	9	5	312
7	Financial & Postal Services	24	25	24	27	25	20	16	7	23	11	12	6	13	8	7	8	13	7	8	7	291
8	Other Services	59	51	48	43	22	25	19	52	24	47	21	26	15	12	13	7	11	17	5	6	523
9	Wholesalers	13	9	12	9	22	5	11	1	6	2	6	7	9	2	3	2	6	4	6	3	138
10	Industrial Services	26	30	11	20	16	9	19	11	10	5	10	1	2	9	2	3	3	3	1	7	198
11	Engineering & Construction	40	43	26	22	18	11	11	16	11	16	12	4	2	8	4	3	10	8	0	5	270
12	Manufacture, Forestry, Mining	25	21	14	9	7	5	8	1	11	3	2	6	1	12	9	4	2	9	1	1	151
13	Auto & Agricul Service and Products	58	44	62	63	69	40	32	9	31	11	28	35	18	12	19	20	22	17	11	11	612
14	Transport (excl taxi's)	9	8	10	10	6	1	4	3	5	6	4	7	5	12	1	4	2	1	1	2	101
15	Business Support Services	27	41	15	22	25	11	10	30	8	22	8	4	12	8	3	8	3	4	2	3	266
16	Professional Services	10	7	8	12	13	11	6	16	4	13	6	6	3	4	1	6	7	7	2	3	145
17	Real Estate	6	13	4	2	3	4	3	14	3	6	1	0	2	1	0	1	3	3	0	2	71
18	Accommodation & Tourism	9	24	14	7	8	7	6	40	4	21	8	1	3	4	3	4	1	5	0	13	182
19	Educational, Welfare, Sport	28	20	36	22	20	68	45	5	23	9	16	10	5	24	19	15	16	10	34	14	439
20	State & Local Government	11	9	16	21	20	15	13	4	14	10	17	13	12	10	12	18	11	10	11	9	256
	TOTAL	644	524	497	464	439	374	339	324	305	289	249	248	227	195	192	182	174	163	157	154	6140

## ANNEXURE B3:VILLAGES

no		31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	
Category	Villages																																						
		Underberg	Umkomas	Mooriver	PortEdward	Melmoth	Highlats	PaulPiet	Glencoe	Hibberdene	Dannhauser	Nqutu	CatoRidge	Winterton	StLucia	Hluhluwe	Mkuzuze	Kwambonambi	Kwamagwase	Gindlovu	Utrecht	Kranskop	Jozini	Mbazwana	Dalton	Wartburg	Nkandla	Ingwavuma	Izingolweni	TugelaFerry	Bulwer	Cedarville	Dobnybrok	Babangob	Colenso	Umbombo	Pomroy	Hlabisa	Total
1	Retail: Food Supermrkt, Grocer, Butcher	6	11	9	8	9	16	9	7	5	12	7	8	6	6	7	7	4	4	5	6	7	5	5	5	3	3	2	5	4	5	1	3	2	4	2	3	3	214
2	Retail: Clothing, Shoes, Apparel	4	3	7	8	6	1	2	3	3	4	4	0	2	1	3	5	1	3	2	3	3	5	5	2	1	1	2	3	2	0	0	1	0	3	0	1	0	94
3	Furniture & Appliances	1	3	2	2	7	2	4	1	2	2	4	1	4	1	2	6	0	5	2	0	3	4	1	0	0	1	2	3	4	0	0	0	0	1	0	1	0	71
4	Other retail (Liquor, Chemist, etc)	21	29	19	35	23	14	31	16	23	24	17	9	15	12	12	18	7	17	14	12	18	17	10	11	13	11	5	11	8	8	3	3	4	4	4	9	4	511
5	Restaurant, Fast Food, Catering	6	8	2	7	5	3	3	2	5	3	4	3	3	7	3	4	1	5	2	2	5	2	1	2	1	2	0	1	3	2	1	1	1	1	0	2	2	105
6	Medical & Health	6	11	6	7	3	3	2	1	3	2	7	3	3	1	2	4	3	5	3	4	4	3	6	3	5	3	5	2	2	1	0	1	0	1	3	1	3	122
7	Financial & Postal Services	8	4	6	12	7	1	6	5	4	4	7	2	6	4	4	5	2	3	4	3	2	4	2	3	4	1	2	2	2	2	1	1	1	3	1	1	1	130
8	Other Services	14	18	12	6	6	5	10	12	12	7	10	14	2	3	1	5	4	1	5	8	3	1	5	4	3	4	4	2	5	5	4	4	0	2	2	2	2	207
9	Wholesalers	2	1	1	1	3	0	2	1	1	2	2	3	1	0	4	6	2	3	1	0	2	0	1	1	1	0	2	1	1	0	0	1	0	0	0	0	0	46
10	Industrial Services	2	3	5	0	6	0	1	9	1	1	0	6	7	0	1	1	0	0	3	2	0	0	0	1	4	0	0	0	0	0	2	0	0	2	0	0	0	57
11	Engineering & Construction	8	6	6	2	4	2	5	13	7	4	0	5	2	3	2	1	11	1	3	1	0	0	1	3	3	0	2	0	0	0	1	2	7	1	1	0	0	107
12	Manufacture, Forestry, Mining	1	6	4	1	3	2	6	3	0	1	0	6	6	0	4	3	5	1	4	3	3	0	2	3	5	1	0	0	0	3	1	1	4	0	1	0	0	83
13	Auto & Agricul Service and Products	9	9	16	4	15	4	6	6	7	9	3	17	6	4	6	10	5	4	7	4	3	3	2	8	3	2	1	1	2	1	12	4	0	0	1	2	1	197
14	Transport (excl taxi's)	3	2	1	0	1	0	3	1	5	6	0	1	1	2	0	3	1	1	0	2	0	0	1	3	0	0	2	0	0	1	0	0	0	2	0	1	0	43
15	Business Support Services	6	5	7	9	2	0	3	7	6	2	2	1	2	2	1	1	4	0	4	2	0	0	0	2	4	0	3	1	0	2	4	0	1	0	1	0	0	84
16	Profesional Services	3	1	3	4	6	0	2	3	2	2	1	2	1	1	4	0	0	1	1	1	0	1	0	0	1	0	0	0	1	2	0	2	0	1	0	0	46	
17	Real Estate	5	1	2	6	1	0	3	1	2	0	0	1	0	3	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	28
18	Accomodation & Tourism	27	10	12	11	5	1	4	2	8	2	3	2	15	42	30	7	2	4	5	1	1	2	7	3	1	0	1	0	0	3	1	1	3	1	0	0	0	217
19	Educational, Welfare, Sport	9	11	15	3	7	6	9	14	10	9	24	9	12	1	8	3	31	26	4	11	10	16	10	3	5	16	12	14	5	9	2	7	3	4	8	0	5	406
20	State & Local Government	7	6	9	5	11	7	9	8	5	5	6	6	5	4	3	5	5	3	5	4	5	5	5	4	2	6	6	4	11	5	5	3	5	4	3	3	197	
	TOTAL	148	148	144	131	130	122	120	115	111	101	101	99	99	97	97	95	88	87	74	69	69	68	64	61	60	51	51	50	49	48	40	34	33	33	28	26	24	2965

QUESTIONNAIRE FOR SHOPPERS

ANNEXURE C

Interviewer Name : \_\_\_\_\_ Time : \_\_\_\_\_

Date : \_\_\_\_\_

\*\* Respondents Sex : Male/Female

\*\* Complete but do not ask

QUESTIONS

1. Where do you live? \_\_\_\_\_
2. How often do you visit this area or town? \_\_\_\_\_
3. How do you normally come here? (Bus, taxi, private car, foot) \_\_\_\_\_
4. What products did you buy today? \_\_\_\_\_
5. Where did you buy these products? \_\_\_\_\_
6. How much did you spent approximately? \_\_\_\_\_
7. Were there any products that you were looking for that you could not find today? If yes, name the products \_\_\_\_\_
8. At which shopping centre or town do you do most of your shopping? \_\_\_\_\_
9. Does this town lack certain businesses that you need? If yes, name the business type  
\_\_\_\_\_
10. How old are you? \_\_\_\_\_
11. What is your occupation? \_\_\_\_\_
12. How many people are there in your household? \_\_\_\_\_
13. What is your average income per month?
  - a. - R500 \_\_\_\_\_
  - b. R501 - R1000 \_\_\_\_\_
  - c. R1000 - R1500 \_\_\_\_\_
  - d. R1500 - R2000 \_\_\_\_\_
  - e. R2000 - R3000 \_\_\_\_\_
  - f. R3000 - R4000 \_\_\_\_\_
  - g. R4000 + \_\_\_\_\_

ANNEXURE D

Questionnaire No.	
Cluster No.	

**QUESTIONNAIRE FOR HOUSEHOLD SURVEYS**

Interviewer: \_\_\_\_\_  
 Geographic Area of Survey: \_\_\_\_\_  
 Date of Interview: \_\_\_\_\_

<b>Respondent status: *</b>	<b>Male</b>	<b>Female</b>	<b>English</b>	<b>Zulu</b>	<b>Other</b>
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Circle correct status

**SECTION A: Demographic and General Information**

**1. Composition of household**

	Sex	Age	Highest Qualification	Occupation	Workplace Town/Suburb	Gross income per month
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
11.						
12.						

2. Since when do you live at this address? \_\_\_\_\_ (year only)

3. How many vehicles does this household own? \_\_\_\_\_

4. What mode of transport do you regularly use? \_\_\_\_\_

**SECTION B:** Retail Expenses and behaviour

5. At which shopping centres/shops do you usually buy, how often and what type of products?

	Town/Shopping Centre	Shop(s)	How often	Typical Products
1.				
2.				
3.				
4.				
5.				

6. At which centre and shop do you spend most of your money and how much per month on average?

Centre/Town	Shop	Amount

7. Why do you prefer to do most of your shopping at the above centre/town?

\_\_\_\_\_

8. How much does this HOUSEHOLD spend on average per month on the following items:

A. Transport	
B. Groceries and foodstuff	
C. Clothing	
D. Medical	
E. Alcohol	
F. Hardware/Building material	
G. Education	
H. Personal Services e.g. hairdresser	
I. Miscellaneous e.g. cooldrink, newspaper, cigarettes etc.	
J. Furniture/accounts	

9. At which financial institution do you bank? \_\_\_\_\_

10. What is the biggest problem that you experience when you want to go shopping?

11. Can you suggest improvements to the present shopping facilities in your area or the ones that you use on a regular basis?

\_\_\_\_\_

TABLE 1: RESPONDENTS BY GENDER

	n	%
FEMALE	118	60.20
MALE	78	39.80
TOTAL	196	100

TABLE 2: TRADE AEA - CUSTOMER DISTRIBUTION

Question 1: Where do you live ?

PLACE	n	%
1 BASHAWENI	3	1.53
2 BHAMBAYI	1	0.51
3 BHEKHENI ( BECKENHAM)	1	0.51
4 BHUDLU	4	2.04
5 BIZANA	5	2.55
6 DEEPPALE	9	4.59
7 DOVEDALE	2	1.02
8 FARM	1	0.51
9 GANGALA	5	2.55
10 GOMBELA	1	0.51
11 GQIGQO	2	1.02
12 GUGWINI	1	0.51
13 GUNDRIFT	2	1.02
14 HARDING	26	13.27
15 JALI	26	13.27
16 KHWEZI	33	16.84
17 KOLONI	1	0.51
18 MACHI	26	13.27
19 MACHUNWINI	4	2.04
20 MBOTHO	2	1.02
21 MBUDU	1	0.51
22 MBULUMBA	1	0.51
23 MBUTHWENI	1	0.51
24 MKHOBA	1	0.51
25 MSHISWENI	2	1.02
26 MZIMKHULU	2	1.02
27 NHLANGWINI	2	1.02
28 NKONENI	1	0.51
29 NQABENI	1	0.51
30 NTUMBA	1	0.51
31 NYANISWENI	1	0.51
32 NYUSWA	9	4.59
33 PHUMZA	2	1.02
34 PISGAH	1	0.51
35 PORT ST JOHNS	1	0.51
36 ROOIWAL	1	0.51
37 SANTOMBE	6	3.06
38 SIKHULU	2	1.02
39 SIHLEZA	1	0.51
40 TRANSKEI	2	1.02
41 ZILANGWE	2	1.02
TOTAL	196	100

## Annexure E2:Port Shepstone

**TABLE 1: RESPONDENTS BY GENDER**

	n	%
FEMALE	110	55.00
MALE	90	45.00
TOTAL	200	100

**TABLE 2: TRADE AREA - CUSTOMER DISTRIBUTION**

Question 1: Where do you live ?

	PLACE	n	%
1	ALBERSVILLE	2	1.00
2	ANERLEY	2	1.00
3	AMBRESIDE	1	0.50
4	BANGIBIZO	1	0.50
5	BETHANY	4	2.00
6	BHOBHOYI	12	6.00
7	BHOMELA	1	0.50
8	DWESHULA	1	0.50
9	ELIM	2	1.00
10	EMMANUEL	1	0.50
11	FAIRVIEW	1	0.50
12	FRANKLAND	1	0.50
13	GAMALAKHE	50	25.00
14	GODLOZA	1	0.50
15	HARDING	3	1.50
16	IZINGOLWENI	3	1.50
17	MABHELENI	1	0.50
18	MADLALA	5	2.50
19	MARBURG	7	3.50
20	MARGATE	2	1.00
21	MASHISENI	13	6.50
22	MBANGO	5	2.50
23	MTHWALUME	5	2.50
24	MZIMKHULU	2	1.00
25	MZUMBE	8	4.00
26	MZWILILI	2	1.00
27	NQABENI	1	0.50
28	NTSHANGWE	1	0.50
29	NYANDEZULU	1	0.50
30	NZIMAKWE	1	0.50
31	OSLO	1	0.50
32	PHULULA	1	0.50
33	PORT SHEPSTONE	15	7.50
34	SHABENI	12	6.00
35	SOUTHPORT	2	1.00
36	ST FAITHS	2	1.00
37	THUTHWINI	6	3.00
38	WHITE CITY	1	0.50
39	OTHER	20	10.00
	TOTAL	200	100.00

TABLE 1: RESPONDENTS BY GENDER		
	n	%
FEMALE	121	60.50
MALE	79	39.50
TOTAL	200	100

TABLE 2: TRADE AREA - CUSTOMER DISTRIBUTION		
Question 1: Where do you live ?		
PLACE	n	%
1 AMATIKULU	5	2.50
2 BHADI	1	0.50
3 BHEKEZA	1	0.50
4 BHOKWENI	5	2.50
5 BOMBANA	1	0.50
6 DELVILLE	1	0.50
7 DLANGEZWA	3	1.50
8 DOKODWENI	44	22.00
9 EBUHLENI	1	0.50
10 EMOYENI	3	1.50
11 GINGINDLOVU	10	5.00
12 KHOZA	1	0.50
13 KOSHI	3	1.50
14 LAMBOTHI	5	2.50
15 LINDELANI	1	0.50
16 MACAMBINI	3	1.50
17 MAHUBHU	2	1.00
18 MAKHILIMBA	1	0.50
19 MANDENI	2	1.00
20 MANGETHE	1	0.50
21 MANGQAKAZI	23	11.50
22 MBIZIMBELWE	1	0.50
23 MELMOOTH	1	0.50
24 MTUBATUBA	1	0.50
25 MTUNZINI	4	2.00
26 MVUTSHINI	6	3.00
27 NCINYANA	3	1.50
28 NDLOVINI	5	2.50
29 NGULULWE	3	1.50
30 NHLABABO	2	1.00
31 NHLANGENYUKA	1	0.50
32 NOSHUNGWE	4	2.00
33 NQUTSHINI	2	1.00
34 NSINGWENI	7	3.50
35 NSUNDUZANE	1	0.50
36 NXUMALO	1	0.50
37 NYEZANA	3	1.50
38 NYATHINI	1	0.50
39 NYONI	9	4.50
40 NZUZA	1	0.50
41 OBAJENI	10	5.00
42 OPHINDWENI	8	4.00
43 QWAYINDUKU	3	1.50
44 SHOWE	1	0.50
45 SIYUABUSA	1	0.50
46 THOLAKELE	1	0.50
47 WAWA	1	0.50
48 WOMBANE	1	0.50
49 ZIKOSHI	1	0.50
TOTAL	200	100.00

## ANNEXURE E4: EMPANGENI CBD

	N	%
MALE	65	
FEMALE	135	67.5
TOTAL	200	100
<b>TABLE 2: TRADE AREA - CUSTOMER DISTRIBUTION</b>		
<b>Question 1: Where do you live?</b>		
PLACE	N	%
1 Biyela	2	1
2 Buchanan	1	0.5
3 Dlangezwa	12	6
4 Dlangubo	1	0.5
5 Dondotha	2	1
5 Eshowe	1	0.5
6 Ekujabuleni	1	0.5
7 Fasimha	1	0.5
8 Felixton	1	0.5
9 Gingindlovu	2	1
10 Jozini	2	1
11 Khoza	1	0.5
12 Kuphumuleni	1	0.5
13 KwaMbonambi	1	0.5
14 Kwa Msane	1	0.5
15 Kwa Mthethwa	2	1
16 Languza	1	0.5
17 Mabuyeni	4	2
18 Macekane	8	4
19 Madlankala	5	2.5
20 Madwaleni	1	0.5
21 Mahlabathini	1	0.5
22 Matshana	11	5.5
23 Merensee	1	0.5
24 Mevamblophe	1	0.5
25 Mkhahlwini	2	1
26 Mkhombothi	1	0.5
27 Mngampondo	1	0.5
28 Mpangeni	8	4
29 Ngwelezane	19	9.5
30 Niwe	1	0.5
31 Nongoma	2	1
32 Nseleni	5	2.5
33 Ntambanani	5	2.5
34 Ntonyeni	2	1
35 Ntuthuka	1	0.5
36 Obanjani	4	2
37 Ongoye	2	1
38 Port Dunford	1	0.5
39 Qhubandaba	1	0.5
40 Sabhuza	1	0.5
41 Sangonyana	2	1
42 Sigisi	2	1
43 Sikhawini	69	34.5
44 Simhomvini	1	0.5
45 Sokhulu	3	1.5
46 Stanger	1	0.5
47 Vulindlela	1	0.5
TOTAL	200	100

## ANNEXURE E5: EMPANGENI 'RAIL'

TABLE 1: RESPONDENTS BY SEX		
	N	%
MALE	64	32
FEMALE	136	68
TOTAL	200	100
TABLE 2: CUSTOMER DISTRIBUTION		
Question 1: Where do you live?		
	N	%
1 Biyela	1	0.5
2 Cebekhulu	1	0.5
3 Cinci	2	1
4 Dlangezwa	26	13
5 Dlangubo	1	0.5
6 Dondotha	3	1.5
7 Dube Vill	1	0.5
8 Emasangweni	1	0.5
9 Felixton	2	1
10 Gobandlovu	4	2
11 Hlabisa	1	0.5
12 Jacaranda	1	0.5
13 Khoza	1	0.5
14 KwaMhonambi	4	2
15 KwaMcebisi	1	0.5
16 KwaMthethwa	7	3.5
17 Mabuyeni	1	0.5
18 Macekana	1	0.5
19 Madlankala	11	5.5
20 Mandeni	1	0.5
21 Manzamnyama	7	3.5
22 Matshana	3	1.5
23 Mtubatuba	5	2.5
24 Mbovini	1	0.5
25 Mevamhlophe	2	1
26 Mkhoboso	1	0.5
27 Mkhuze	4	2
28 Mpembeni	6	3
29 Mshayazafe	3	1.5
30 Mthunzini	4	2
31 Ndebayakhe	8	4
32 Ndimu	1	0.5
33 Ndolwane	2	1
34 Ngwelezane	9	4.5
35 Nkwenkwe	2	1
36 Nongoma	1	0.5
37 Nseleni	10	5
38 Nsika	2	1
39 Ntambanana	5	2.5
40 Ntuzze	2	1
41 Nyiwa	1	0.5
42 Okhukho	1	0.5
43 Ongoye	5	2.5
44 P/Dunford	3	1.5
45 Phathani	4	2
46 Pine Street	1	0.5
47 R/Bay	1	0.5
48 Sigisi	1	0.5
49 Sikhawini	26	13
50 Siqhomaneni	1	0.5
51 Siyembeni	1	0.5
52 Sokhulu	2	1
53 Stanger	1	0.5
54 Steza	1	0.5
55 Thinasobahili	1	0.5
56 Ziderede	1	0.5
TOTAL	200	100

## ANNEXURE E6: TUGELA FERRY

TABLE 1: RESPONDENTS BY GENDER

FEMALE	123	62.12
MALE	75	37.88
TOTAL	198	100

TABLE 2: TRADE AREA - CUSTOMER DISTRIBUTION

Question 1: Where do you live ?

PLACE	n	%
1 Bathenjini	9	4.55
2 Combosho	1	0.51
3 Cwaka	2	1.01
4 Drayini	1	0.51
5 Dundee	3	1.52
6 Greytown	1	0.51
7 Guqa	1	0.51
8 Holwane	2	1.01
9 Keats Drift	3	1.52
10 Kwajiza	1	0.51
11 Kwakopi	1	0.51
12 Mabaso	20	10.10
13 Mabomvini	11	5.56
14 Machobeni	1	0.51
15 Machunwini	5	2.53
16 Mahlabathini	1	0.51
17 Majozi	1	0.51
18 Mandleni	2	1.01
19 Manseleni	2	1.01
20 Maromeni	25	12.63
21 Mashunka	6	3.03
22 Mbabane	27	13.64
23 Mbhono	4	2.02
24 Mshayazafe	3	1.52
25 Msinga Top	6	3.03
26 Mzomusha	2	1.01
27 Ndengeni	1	0.51
28 Ngulubeni	2	1.01
29 Nkambo	1	0.51
30 Nkosi	1	0.51
31 Nqongeni	1	0.51
32 Ntshishini	1	0.51
33 Nxamalala	1	0.51
34 Othame	1	0.51
35 Phola	1	0.51
36 Pietermaritzburg	1	0.51
37 Pomeroy	6	3.03
38 Qinelani	1	0.51
39 Sampofu	5	2.53
40 Sidakeni	21	10.61
41 Sihlabeni	1	0.51
42 Sijozini	2	1.01
43 Sithubeni	1	0.51
44 Sokhele	1	0.51
45 Thukela	8	4.04
TOTAL	198	100.00

TABLE 1: RESPONDENTS BY GENDER

	n	%
FEMALE	120	60.61
MALE	78	39.39
TOTAL	198	100

TABLE 2: TRADE AREA - CUSTOMER DISTRIBUTION

Question 1: Where do you live ?

PLACE	n	%
BHEKIZWE	1	0.51
BHOKWE	1	0.51
CHOLWANE	4	2.02
CHWEZI	4	2.02
DLABE	1	0.51
EKUKHANYENI	1	0.51
FORT LOUIS	2	1.01
GOSWENI	1	0.51
HLEKEZELA	1	0.51
MACHOBENI	3	1.52
MADIYANE	14	7.07
MAHLAYIZENI	7	3.54
MAJUBA	1	0.51
MAKHANYEZI	1	0.51
MAKHWELANGENTABA	1	0.51
MANDABA	6	3.03
MANYANE	4	2.02
MANZAMNYAMA	3	1.52
MASHUSHU	3	1.52
MATHIYA	7	3.54
MATSHENEZIMPISI	3	1.52
MAXHUMA	2	1.01
MAZAMBANENI	4	2.02
MBOTHOLO	1	0.51
MDLELANGA	4	2.02
MJAHWENI	4	2.02
MLINDA	1	0.51
MONTCLAIR	1	0.51
MNQANGABHODWE	1	0.51
MTSHWILI	4	2.02
NDIKWE	2	1.01
NDWENI	7	3.54
NGWEGWENI	4	2.02
NKANDLA	27	13.64
NKONISA	5	2.53
NKUNGUMATHE	2	1.01
NKWENKWEZINI	1	0.51
NQUNDU	2	1.01
NSUZE	1	0.51
NTINGWE	1	0.51
OHLELO	3	1.52
OPHINDWENI	1	0.51
PHOLELA	2	1.01
QHUDENI	1	0.51
SAKAMPUNGOSE	1	0.51
SANGWENI	2	1.01
SIGCALABENI	1	0.51
SIKHALANENI/SIKHALESIBOMVU	5	2.53
SILUNDA	10	5.05
THALANENI	14	7.07
THUMBENI	3	1.52
TSHENZIKAZI	3	1.52
VULEKA	1	0.51
VUMANHLOVU	7	3.54
VUTSHINI	1	0.51
TOTAL	198	100.00

TABLE 1: RESPONDENTS BY SEX		
	N	%
FEMALE	117	58.5
MALE	83	41.5
TOTAL	200	100

TABLE 2: TRADE AREA - CUSTOMER DISTRIBUTION		
Question 1: Where do you live?		
PLACE	N	%
1 Amblefield	1	0.5
2 Argyle	2	1
3 Boston	1	0.5
4 Bulwer	1	0.5
5 Cedara	1	0.5
6 Curriespost	2	1
7 Dakhi	1	0.5
8 Dambuza	1	0.5
9 Eden	2	1
10 Elandskop	1	0.5
11 Elandsriver	2	1
12 Howick	29	14.5
13 Haza	15	7.5
14 Joji	2	1
15 Kakloof	2	1
16 Mafakathini	23	11.5
17 Mashingeni	2	1
18 Maswazini	2	1
19 Mathandubisi	3	1.5
20 Mbona	1	0.5
21 Mckenzie	1	0.5
22 Mevana	19	9.5
23 Mool River	2	1
24 Mountfountain	1	0.5
25 Mpendle	7	3.5
26 Mpophomeni	61	30.5
27 Mpumuza	1	0.5
28 Mtshezi	1	0.5
29 Ngobeni	1	0.5
30 Nhlabankosi	2	1
31 Pmburg	2	1
32 Shiyabazali	1	0.5
33 Shiyase	3	1.5
34 Stepmore	1	0.5
35 Tweede	2	1
36 Underberg	1	0.5
TOTAL	200	100

TABLE 1: RESPONDENTS BY SEX

MALE	93	62
FEMALE	57	38
TOTAL	150	100

TABLE 2: TRADE AREA - CUSTOMER DISTRIBUTION

	N	%
1 Unknown	3	2.00
2 Bethela	1	0.67
3 Bhekindoda	1	0.67
4 Bhiva	3	2.00
5 Bhakuza	2	1.33
6 Bhanjana	1	0.67
7 Bonjeni	2	1.33
8 Campsite	1	0.67
9 Cezwana	1	0.67
10 Derkville	1	0.67
11 Fingoos	1	0.67
12 Gedleza	1	0.67
13 Gugulethu	2	1.33
14 Gwaleni	3	2.00
15 Hlazana	2	1.33
16 Jozini	23	15.33
17 Jobe	7	4.67
18 Kondweni	1	0.67
19 Khombosi	1	0.67
20 Kwamusa	1	0.67
21 Kwaliweni	3	2.00
22 Kwambisi	1	0.67
23 Levensai	1	0.67
24 Mabhanoyini	2	1.33
25 Madonela	1	0.67
26 Magagula	1	0.67
27 Majozini	2	1.33
28 Makhathini	5	3.33
29 Mkhonjaneni	8	5.33
30 Mamfene	1	0.67
31 Mamlambo	1	0.67
32 Manguza	3	2.00
33 Maphaya	5	3.33
34 Maqajeni	1	0.67
35 Masaba	4	2.67
36 Matuba	1	0.67
37 Mboza	2	1.33
38 Mbuyiseni	1	0.67
39 Mfongosi	1	0.67
40 Mjindi	1	0.67
41 Mpoweni	1	0.67
42 Mzinyeni	2	1.33
43 Ndumo	1	0.67
44 Ngwavuma	4	2.67
45 Nondubula	2	1.33
46 Nyamana	2	1.33
47 Ophande	2	1.33
48 Phampanani	1	0.67
49 Phesheya	1	0.67
50 Phondweni	5	3.33
51 Phumuzani	1	0.67
52 Pitoli	1	0.67
53 Pongola	1	0.67
54 Qondile	2	1.33
55 Shukela	3	2.00
56 Seventeen	3	2.00
57 Singeni	1	0.67
58 Siphambanweni	2	1.33
59 Sqalathi	1	0.67
60 Thembalihle	2	1.33
61 Thombothini	7	4.67
62 Velaphi	1	0.67
63 White City	1	0.67
TOTAL	150	100

TABLE 1: RESPONDENTS BY GENDER

	n	%
FEMALE	140	70.71
MALE	58	29.29
TOTAL	198	100

TABLE 2: TRADE AEA - CUSTOMER DISTRIBUTION

Question 1: Where do you live ?

PLACE	n	%
1 BHANGANOMA	8	4.04
2 BANGO	2	1.01
3 BHIDLENI/MBIDLENI	2	1.01
4 CANYANA	2	1.01
5 CEZWANA	1	0.51
6 GUJINI	3	1.52
7 HLABISA	1	0.51
8 JOBE	2	1.01
9 JOZINI	9	4.55
10 KWAJOZANA	1	0.51
11 KWATHINI	1	0.51
12 MADWALENI	7	3.54
13 MAGWAZA	1	0.51
14 MAJOZINI	3	1.52
15 MAKHATHINI	3	1.52
16 MAMFENE	3	1.52
17 MANDLANZI	1	0.51
18 MANGUZA	3	1.52
19 MANYONI	2	1.01
20 MASABA	1	0.51
21 MASUNDWINI	1	0.51
22 MBAZWANA	2	1.01
23 MBOZA	6	3.03
24 MJINDI	2	1.01
25 MKHUZE	20	10.10
26 MNGAMULA	1	0.51
27 MPILWENI/MPILO	1	0.51
28 MPONDWANA	1	0.51
29 MSELENI	9	4.55
30 MTHONJANE	2	1.01
31 MUHLEKAZI	8	4.04
32 NCINDANE	1	0.51
33 NDABENI	1	0.51
34 NDEZI	1	0.51
35 NDUMO	1	0.51
36 NESHE	1	0.51
37 NGWAVUMA	7	3.54
38 NHLONHLELA	6	3.03
39 NJOBENI	7	3.54
40 NKUKHWINI	7	3.54
41 NONGOMA	13	6.57
42 NSELENI	1	0.51
43 NTWENI	3	1.52
44 NYAMANE	1	0.51
45 OPHANDE	2	1.01
46 PHONDWENI	1	0.51
47 SIBONGILE	1	0.51
48 SIKHAWINI	1	0.51
49 SIBONOKUHLE	1	0.51
50 SIWENI	3	1.52
51 STANGER	1	0.51
52 TSHANENI	8	4.04
53 WELCOME	3	1.52
54 UBOMBO	18	9.09
TOTAL	198	100

TABLE 1: RESPONDENTS BY GENDER

	n	%
FEMALE	123	63.08
MALE	72	36.92
TOTAL	195	100

TABLE 2: TRADE AREA - CUSTOMER DISTRIBUTION

Question 1: Where do you live ?

PLACE	n	%
1 BHEKABADLETSHE	1	0.51
2 BUSHLANDS	2	1.03
3 DAKANENI	4	2.05
4 FALSEBERG	2	1.03
5 GABADELA	1	0.51
6 GUNJANENI	1	0.51
7 GWAZA	1	0.51
8 HLUHLUWE	21	10.77
9 JERICO	3	1.54
10 JOZINI	1	0.51
11 MACABUZELA	13	6.67
12 MADANYINI	1	0.51
13 MAKHOWE	14	7.18
14 MATSHAMHLOPHE	1	0.51
15 MAZARA	1	0.51
16 MDLETSHENI	14	7.18
17 MDUKU	23	11.79
18 MFEKAYE	2	1.03
19 MPONGO	1	0.51
20 MTOMOTI	1	0.51
21 MQHOBOKAZI	2	1.03
22 MTHEKWINI	1	0.51
23 MTUBATUBA	7	3.59
24 MZINENE	4	2.05
25 NCEMANE	5	2.56
26 NDOMBENI	1	0.51
27 NGODENI/GODENI	6	3.08
28 NGONYAMENI	15	7.69
29 NGWAVUMA	1	0.51
30 NHLUNHLELA	1	0.51
31 NHLWATHI	2	1.03
32 NIBELA	2	1.03
33 NKONJANENI	1	0.51
34 NKUNDUSO	1	0.51
35 NOMPONDE	11	5.64
36 NSANE	1	0.51
37 QONDILE	1	0.51
38 SABELWENI	1	0.51
39 SHIKISHELA	2	1.03
40 SMOLO	6	3.08
41 ZIBAYENI	11	5.64
42 ZIFUNDENI	3	1.54
43 ZULUVUKA	2	1.03
TOTAL	195	100

TABLE 1: RESPONDENTS BY GENDER

	n	%
FEMALE	136	68.00
MALE	64	32.00
TOTAL	200	100

TABLE 2: TRADE AEA - CUSTOMER DISTRIBUTION

Question 1: Where do you live ?

PLACE	n	%
1 BHOBHOZA	3	1.50
2 GUNJANENI	5	2.50
3 GWABALANDA	1	0.50
4 HLABISA	12	6.00
5 HLUHLUWE	2	1.00
6 NKODINI/NKODWINI	9	4.50
7 KWACICI	1	0.50
8 LINTON	4	2.00
9 MACHIBINI	3	1.50
10 MADLOKOVU	1	0.50
11 MADWALENI	3	1.50
12 MAKHAMBANA	3	1.50
13 MANZAMNANDI	7	3.50
14 MAPHELEMA	7	3.50
15 MASWAZINI	1	0.50
16 MBAZWANA	2	1.00
17 MCAKWINI	1	0.50
18 MFEKAYE	16	8.00
19 MPANDLENI	1	0.50
20 MPUKUNYONI	1	0.50
21 MSANE	24	12.00
22 MSHAYA	2	1.00
23 MTHETHWA	3	1.50
24 MTUBATUBA	9	4.50
25 MVUTSHINI	1	0.50
26 NDABAYAKHE	1	0.50
27 NDOMBENI	3	1.50
28 NKATHA	2	1.00
29 NKOKOKOTHO	4	2.00
30 NKOMBOSE	3	1.50
31 NKONJANENI	2	1.00
32 NKWELEZI	1	0.50
33 NKUNDUSI	2	1.00
34 NOMATHIYA	1	0.50
35 NONGOMA	1	0.50
36 NONO	1	0.50
37 NSANE	2	1.00
38 NSELENI	5	2.50
39 NTONDWENI	4	2.00
40 NTONGOYA	1	0.50
41 NYALAZI	1	0.50
42 OBANJENI	1	0.50
41 PHAPHASI	5	2.50
42 PHATHANI	1	0.50
43 PHEMPENI	1	0.50
44 PHONDWENI	7	3.50
45 QAKWNI	3	1.50
46 QUBUKA	1	0.50
47 RIVERVIEW	3	1.50
48 SHIKISHELA	8	4.00
49 SHWASHWENI	1	0.50
50 SIYEMBENI	3	1.50
51 SOMKHELE	5	2.50
52 ST LUCIA	1	0.50
53 THANDANANI	2	1.00
54 THEKWINI	1	0.50
55 ZIBAYENI	1	0.50
TOTAL	0	100

ANNEXURE F1 TO F8: SAMPLES (RETAIL EXPENDITURE AS A PERCENTAGE OF HOUSEHOLD INCOME) UTILIZED IN SNEDECOR'S F-TEST

ANNEXURE D1: INCOME GROUP R1 - R500 PM

Empangeni	Harding	Howick
64.64	58.82	17.5
30	50	61.25
58.54	61	31.25
41.22	92.67	72.5
56.1	93.71	90.24
48.84	87.5	60.98
46.51	42.5	
62	50	
	57.5	
	100	
	49.33	
	66.67	
	71.11	
	74.47	
	42.55	
	70	
	90	

ANNEXURE D2: INCOME GROUP R501 - R1000 PM

EMPANGENI	ESIKHAWENI	HARDING	HOWICK	UMLAZI
50	62.71	57.41	66.67	60.94
33.78	50.85	76.5	56	52.86
35.62	60	68.33	78.22	57.33
32.5	63.33	37.67	74.87	41.9
41.46	52.46	64.52	33.33	
37.79	80	48		
34.88	42.67	36.71		
65.12	77.92	20.63		
52.33	28.75	81.25		
55.56	18.75	62.5		
67.78	50	64.38		
13.33	60.65	46.88		
57.89	31.91	30.13		
21.05	74.47	68.75		
64	27	40.24		
57	23	21		
79		75		
		81.2		
		53.7		
		73.1		

## ANNEXURE D3: INCOME GROUP: R1 501 - R2 500 PM

EMPANGENI	ESIKHAWENI	HARDING	HOWICK	PHOENIX	PRETORIA	UMLAZI
48.75	40	36.36	65.13	76	75	69.93
24.06	19.27	41.18	59	20	66.67	53.13
25	26.11	38.5	36.61	24.83	44.56	69.36
28.63	30.56	25.37	63	32	55.56	49.17
51.53	27.78	19.57	83.75	88	64.44	22.54
27.27	30	52.63	13.7	86.4	77.78	38.25
18.6	47.78	26	20	62	52.78	23.05
33.33	25.91		31.5	40	76.39	21
45.56	56.7		69.95	36	50	42.5
23.88	50			68	85.83	84.58
28.89	65			20	24.09	52.71
30.6	30			26.4	21.2	47.36
38.52	70			48.4	49.2	33.18
27.03	36			54	63.2	58.7
39.25	68.25			28	17.6	61.96
15.79	75.61			44.8		24.46
37.43	28.64			56		28.67
27.46	34.55			22		44.88
46.5	75			27.2		
45	51.48			78.2		
21.8	60.4			61.6		
	38.4			56		
	13.2			22		
				27.2		
				78.2		
				61.6		
				56		
				77.33		
				20		
				20		
				20		

## ANNEXURE D4: INCOME GROUP: R2501 - R3500PM

EMPANGENI	ESIKHAWENI	HARDING	HOWICK	PHOENIX	PRETORIA	UMLAZI
52.6	14.29	23.83	25.68	51.43	40	33.09
42.31	15.54	18.18	14.71	41.43	50	37.54
29.51	28.67	46.43		34.29	18.93	49.04
57.56	22.33	28.87		52	17.86	57.69
29.49	15	20		36.29	15.71	27.59
37.14	52			25.71	21.61	58.7
26.43	50.27			20	57.14	41.67
35.34	47.08			44.29	51.79	61.67
19.31	32.81			24.29	63.28	79.87
23.55	27.52			31.43	28.28	52.38
37.67	62.12			25.71	25.94	40.91
23.67	37.9			34.29	31.62	26.15
23.74				26.46	30.94	31.25
15				32	29.41	31.18
78.33				32.86		47.81
				52.86		33.71
				28.57		

## ANNEXURE D5: INCOME GROUP: R3501 - R4500PM

EMPANGENI	ESIKHAWENI	HARDING	HOWICK	PHOENIX	UMLAZI
40.26	29.82	10.11	27.44	77.6	49.21
26.88	25	25.11	26	20	25.28
25.5	30	61.25	24.67	19.87	56.67
18.31	49.25	39.35	41.56	56.8	64.89
25.06	44.5	14.51	40.67	26.67	41.32
11.63	40.29		26.44	30.13	19
	46.95		23.16	45.87	45.75
	27.95		33.33	45.49	64
	13.49		37.33	23.37	42.88
	42.77		23.33		38.15
			33.33		33.75
			15.56		40.9
			46.78		26.34
					33.83
					32.77
					27.86
					35.81
					36.51
					57.8
					17.39
					17.27
					12.42
					21.11
					15.56
					10.6

## ANNEXURE D6: INCOME GROUP: R4501 - R6000PM

EMPANGENI	ESIKHAWENI	PHOENIX	PRETORIA	UMLAZI
24.67	26.37	13.45	59.56	12.5
26.6	21.74	51.09	27.47	13.65
	22.8	22.73	27.47	64.18
	17.4	11.82	26.37	33.6
	11.8	36.73	22.09	52.6
	49.97		25.27	23.7
	30.91		51.91	47.29
	35.09		32.97	32.14
			11.87	72.22
			52.97	20
			18.57	47.18
			47.69	20.27
			18.49	33.68
			17.63	
			30.61	
			20	
			31.9	
			22.43	
			30.93	
			27.78	
			18.89	
			57.41	
			24.91	
			39.07	
			19.26	
			32.13	
			28.89	
			21.3	
			20.26	
			25.19	
			12.29	

## ANNEXURE D7: INCOME GROUP: R6001 - R8000PM

EMPANGENI	PHOENIX	PRETORIA	UMLAZI
13.05	24.15	28.46	16.72
24.86	10.82	22.68	29.28
19.89	47.05	40.32	23.62
	18.48	45.44	21.87
	25.69	48.64	22.43
	44.87	20.8	23.22
	15.38	46	25.61
	14.13	36	35.69
	10	17.44	
	20	47.84	
	12.44	40.32	
	23.6	23.17	
	23	44.32	
	28.04	9.92	
	26.67	21.2	
	19.02	29.76	
	19.33	15.52	
		44.92	
		46.19	
		36.09	
		15.63	
		23.75	
		16.18	
		26.47	
		9.79	
		9.45	
		36.29	
		14.97	
		18.23	
		17.72	
		51.28	

## ANNEXURE D8: INCOME GROUP: R8001 - R11000PM

PHOENIX	PRETORIA	UMLAZI
46.24	13.74	14.41
9.75	16.46	12.92
46.47	17.11	19.67
22.35	24.64	13.47
26.32	25.77	31.67
38.95	13.45	
19.82	35.71	
16.19	8.1	
15.62	8.21	
19.52	15.7	
	20.69	
	29.37	
	24	
	28.16	
	22.78	
	17	
	18.68	
	13.3	
	21.59	
	30.77	
	20.55	
	14.21	
	21.31	
	25.68	
	20.22	
	15.14	
	6.83	
	24.15	
	40.87	
	41.53	
	41.31	