

## CHAPTER TWELVE: IMPACT ON LOCAL BUSINESSES AND INFORMAL TRADE

### 12.1 INTRODUCTION

The purpose of this chapter is to assess the impact of formal retail centre development on local businesses and informal traders. As part of the chapter a short discussion is provided on the contrasting views pertaining to the informal economy and its linkages with the formal economy.

The remainder of the chapter is centred around the findings of three case studies conducted in Soweto, Mabopane and Thulamahashe to examine the impact that a formal retail centre development had on the local business environment. Local business surveys were conducted with informal traders, spaza shops and local businesses within a 5km radius of Jabulani Mall, Central City and Thula Plaza during February and May 2010.

### 12.2 INFORMAL-FORMAL ECONOMIC LINKAGES

In contrast to typical dual economy models, the informal economy is quite diverse and has complex interactions with the formal sector. To begin with, there are conflicting views on the role of the informal activities in stimulating broader economic development (Devey, Skinner & Valodia 2003).

1. On the one hand, the informal sector is viewed as a dynamic sector with the ability to create jobs and actively contribute to economy-wide growth. Informal activities are viewed as 'small enterprises' which may eventually generate tax revenues through a gradual process of formalisation<sup>97</sup>.
2. On the other hand, informal activities are viewed as low-productivity employment or as 'survivalist' strategies for poor households. From this perspective, the informal sector plays a passive role in development and acts as a temporary substitute for social protection during the formal sector-led growth process<sup>98</sup>.

However, based on recent research in South Africa it is evident that there is room for both perspectives in the sense that the informal economy comprises a continuum of survivalist and enterprise activities. This more nuanced view of the role of informal activities highlights the complexity of designing policies that account for differential impacts on formal and informal economies<sup>99</sup>.

*Distinction should be made between 'informal activities' and 'informal employment'. Informal employment generally refers to those who are employed by informal or unregistered firms – i.e. producers and traders, for example. However, a movement has taken place towards a broader definition including workers informally employed in the formal economy, e.g. seasonal farm workers, day labourers etc. This broader view of informal employment highlights the close and complex linkages between formal and informal activities<sup>100</sup>.*

In general, four types of informal activities are identified – refer to Table 12.1. While the typology is an abstraction from a more complex reality, classification of informal activities and employment has the advantage of providing a clear framework for understanding how

<sup>97</sup> Source: R Davies & J. Thurlow. March 2009. Formal-Informal Linkages and Unemployment in South Africa. HSRC.

<sup>98</sup> Source: R Davies & J. Thurlow. March 2009. Formal-Informal Linkages and Unemployment in South Africa. HSRC

<sup>99</sup> Source: R Davies & J. Thurlow. March 2009. Formal-Informal Linkages and Unemployment in South Africa. HSRC

<sup>100</sup> Source: R Davies & J. Thurlow. March 2009. Formal-Informal Linkages and Unemployment in South Africa. HSRC

alternative policies may have differential effects on specific actors within the formal and informal economies. The typology identifies the various transmission channels linking formal and informal activities, such as product market prices, labour market wages and informal trader margins.

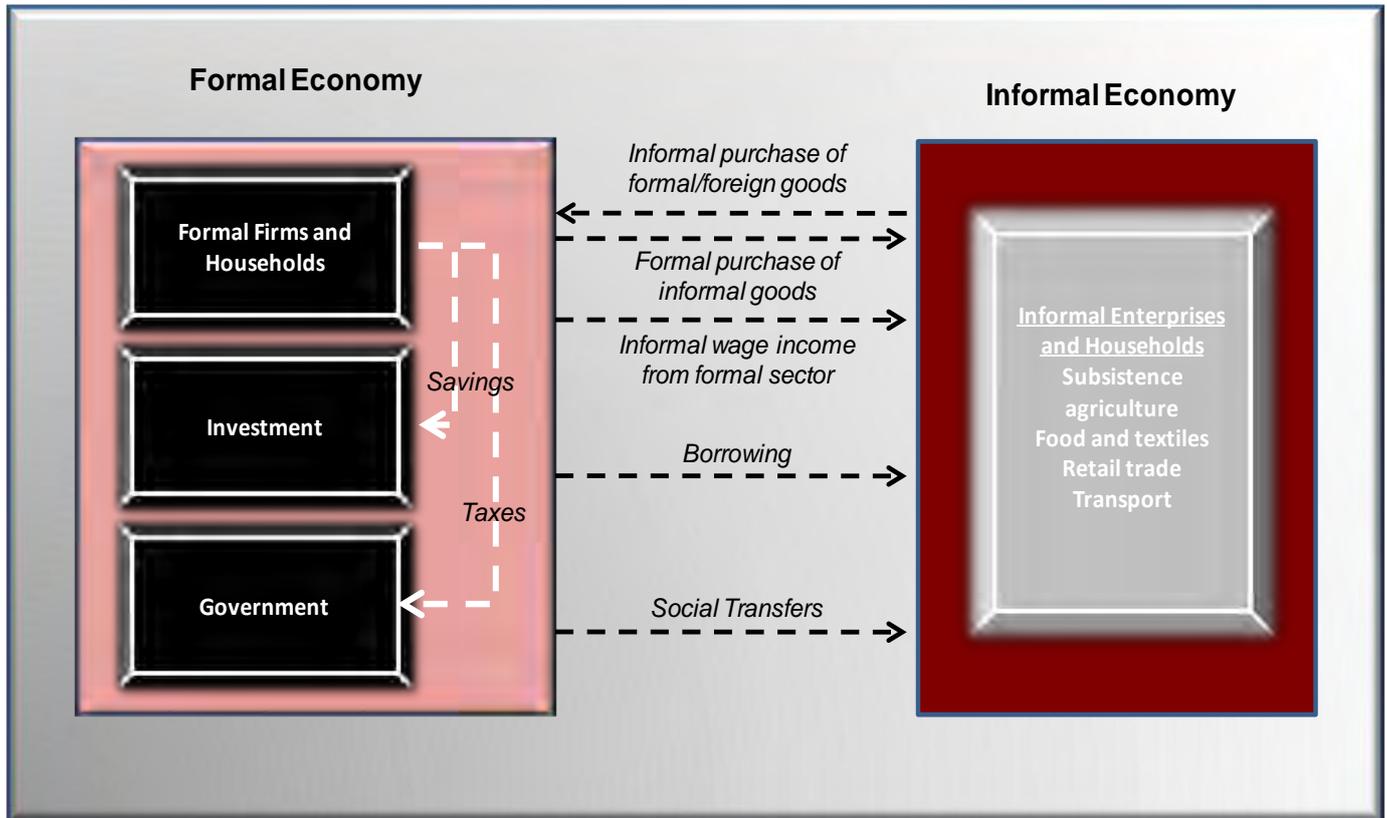
**Table 12.1: Four Types of Informal Activities and Employment**

Type	Description	Are distinct formal and informal goods produced?	Is there price competition between formal and informal goods?	Is there wage competition between formal and informal workers
Informal producers	Small enterprises producing goods and services that compete with formal sector firms, e.g. processed foods, textiles, clothing. Informal producers generate employment for other informal workers and compete in product markets based on a price at which they can supply their goods. Main linkage with formal sector is through purchasing of formal sector intermediates and through the selling of commodities under price competition to formal consumers.	Yes	Yes	No
Informal traders	Informal traders do not produce a product. They purchase formal sector goods, which they sell on to consumers with a fixed mark-up or margin. This means that informally traded goods will generally have a higher price than those formally traded. Advantage is the fact that they sell goods in smaller volumes or in closer proximity to final consumers.	No	No (fixed margin)	No
Informally employed in formal sector	'Informally employed' workers work in the formal sector on a somewhat 'casual' basis. In other words, they do not have contracts, are not unionised, and do not receive benefits. Examples include day labourers in the construction sector or seasonal agricultural workers working on commercial farms. These workers compete with formal sector workers through their wage rates.	No	No	Yes
Non-competitive informal activities	These types of workers are a subset of workers informally employed in the formal sector. For example, domestic workers might be considered 'casually' employed in the formal sector (despite recent regulations), but they do not face competition from formal sector workers (since no formal sector firms produce domestic services).	No	No (sold to formal sector)	No

Source: Davies & Thurlow, 2009

These formal-informal economic linkages are conceptually illustrated in Diagram 12.1. Against this background two case studies will be utilised in order to identify the impact that formal retail centre development have had on local businesses within two second economy areas.

Diagram 12.1: Formal-Informal Linkages



Source: Davies & Thurlow, 2009

### 12.3 JABULANI MALL: IMPACT ON LOCAL BUSINESS ENVIRONMENT

Subsequent paragraphs reflect the findings of the local business surveys conducted within Soweto, around Jabulani Mall. Surveys were conducted with informal traders, spaza shops and local businesses and retailers within 1km, 2km, 3km, 4k and 5km from Jabulani Mall – Refer to Map 12.1.

Findings are structured in terms of the following sections (reflected in terms of business located within 2km and between 2 and 5km from Jabulani Mall):

- ✓ Business classification;
- ✓ Current location and location requirements;
- ✓ Impact of formal retail centre on business;
- ✓ Business problems and required support;
- ✓ Business wwner and business information.

*It should be noted that a large number of these questions pertain to perceptions and, as such, do not necessarily correlate with actual facts and values. The level of knowledge of the respondents pertaining to business history and records and the general business environment has an impact on the quality of answers provided within the chapter.*

#### 12.3.1 BUSINESS CLASSIFICATION

This section provides general information on the type of business, the industry the business is involved in and their main product or service.

Map 12.1: Jabulani Mall Business Survey Radiuses

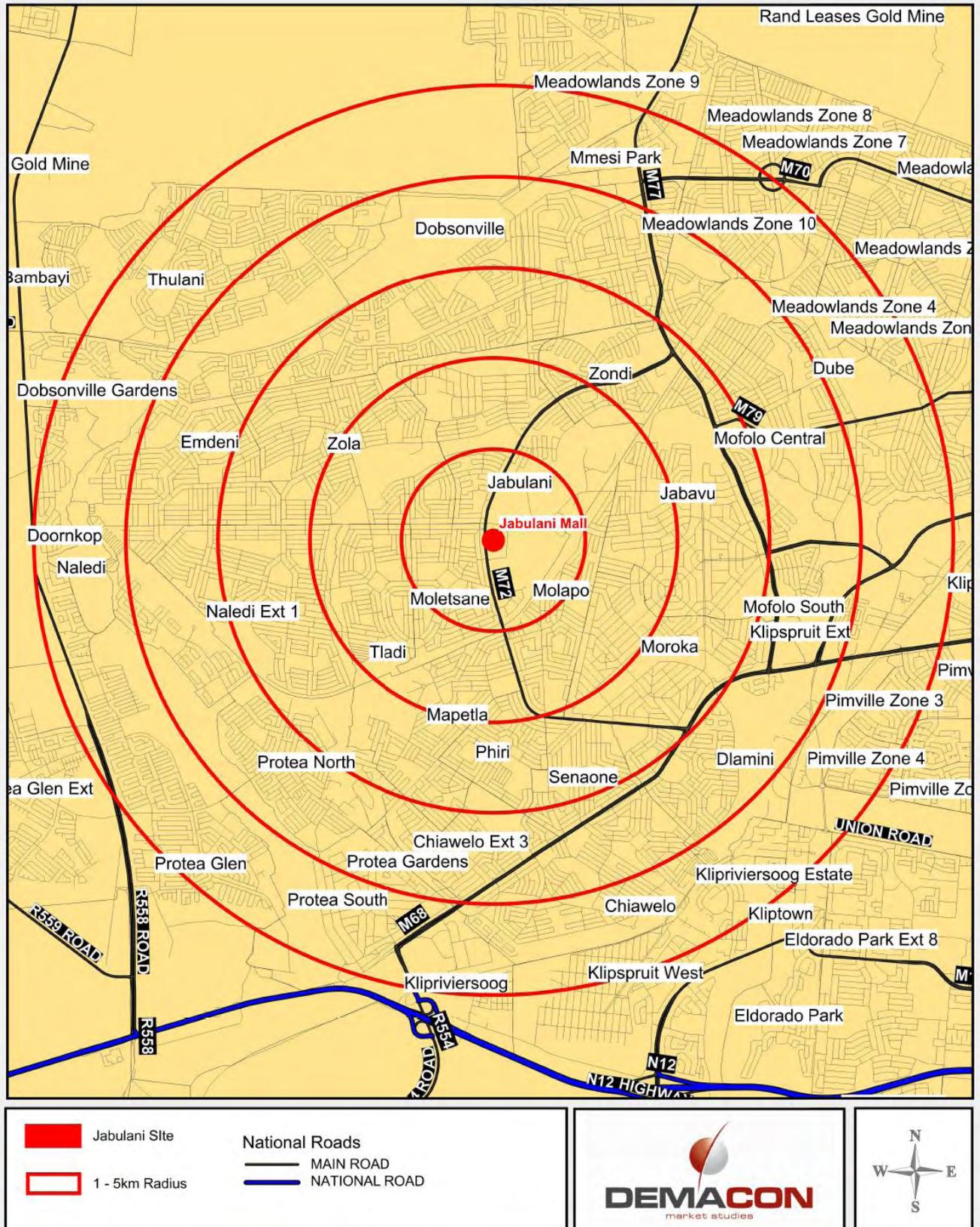
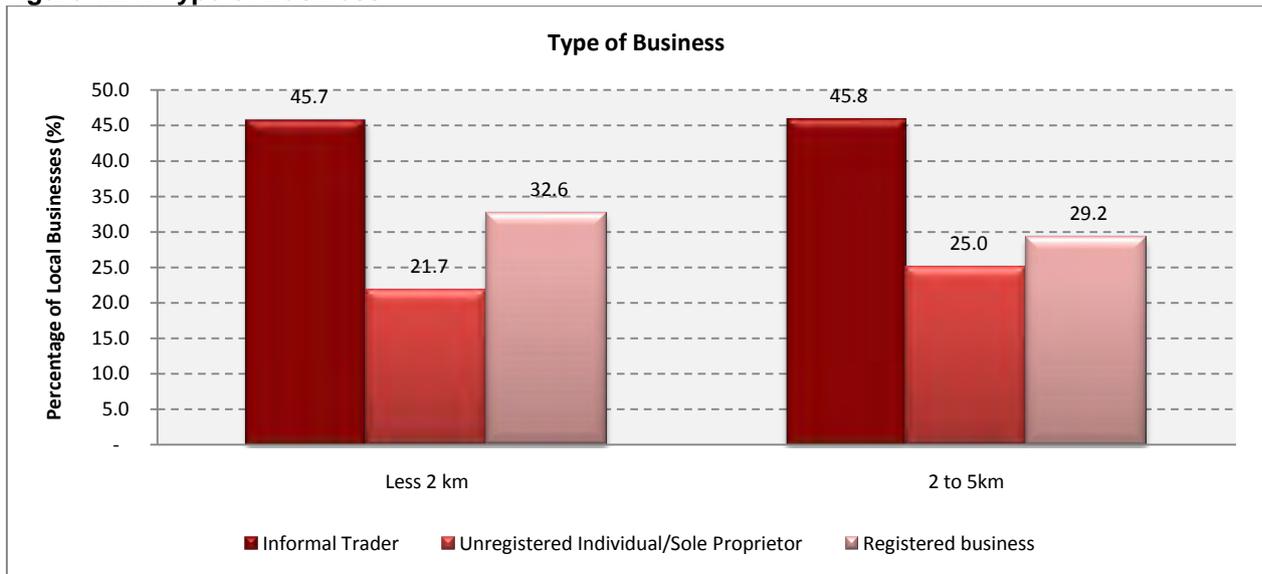
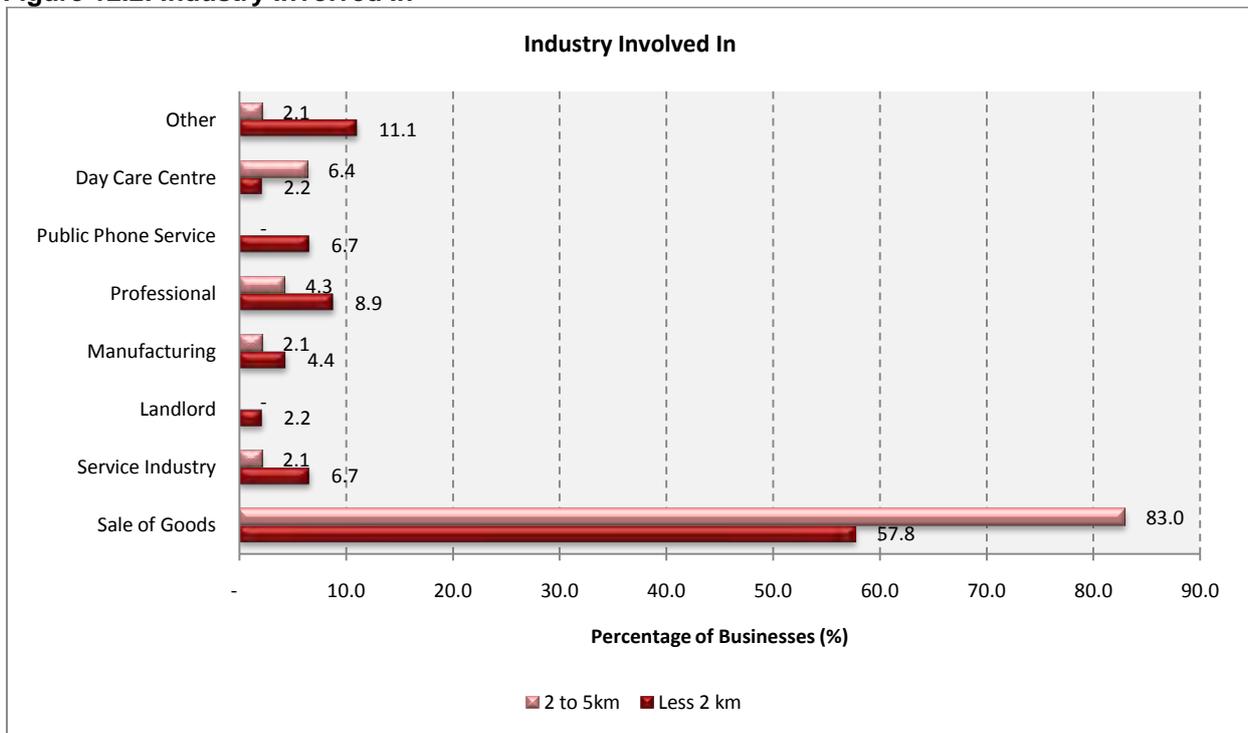


Figure 12.1: Type of Business



Source: Demacon Local Business Surveys, 2010

Figure 12.2: Industry Involved In



Source: Demacon Local Business Surveys, 2010

Table 12.2: Main Product and Services

	Less 2km	2 to 5km
1	Fruit & Veg	Fruit & Veg
2	Groceries	Groceries
3	Food	Cigarettes
4	Hair Salon	Food
5	Internet Café	Bread
6	Shoe Repair	Cold Drinks
7	Security Doors	Milk
8	Car Parts	Building Material
9	Chips	Chips
10	Cigarettes	Day Care

Source: Demacon Local Business Surveys, 2010

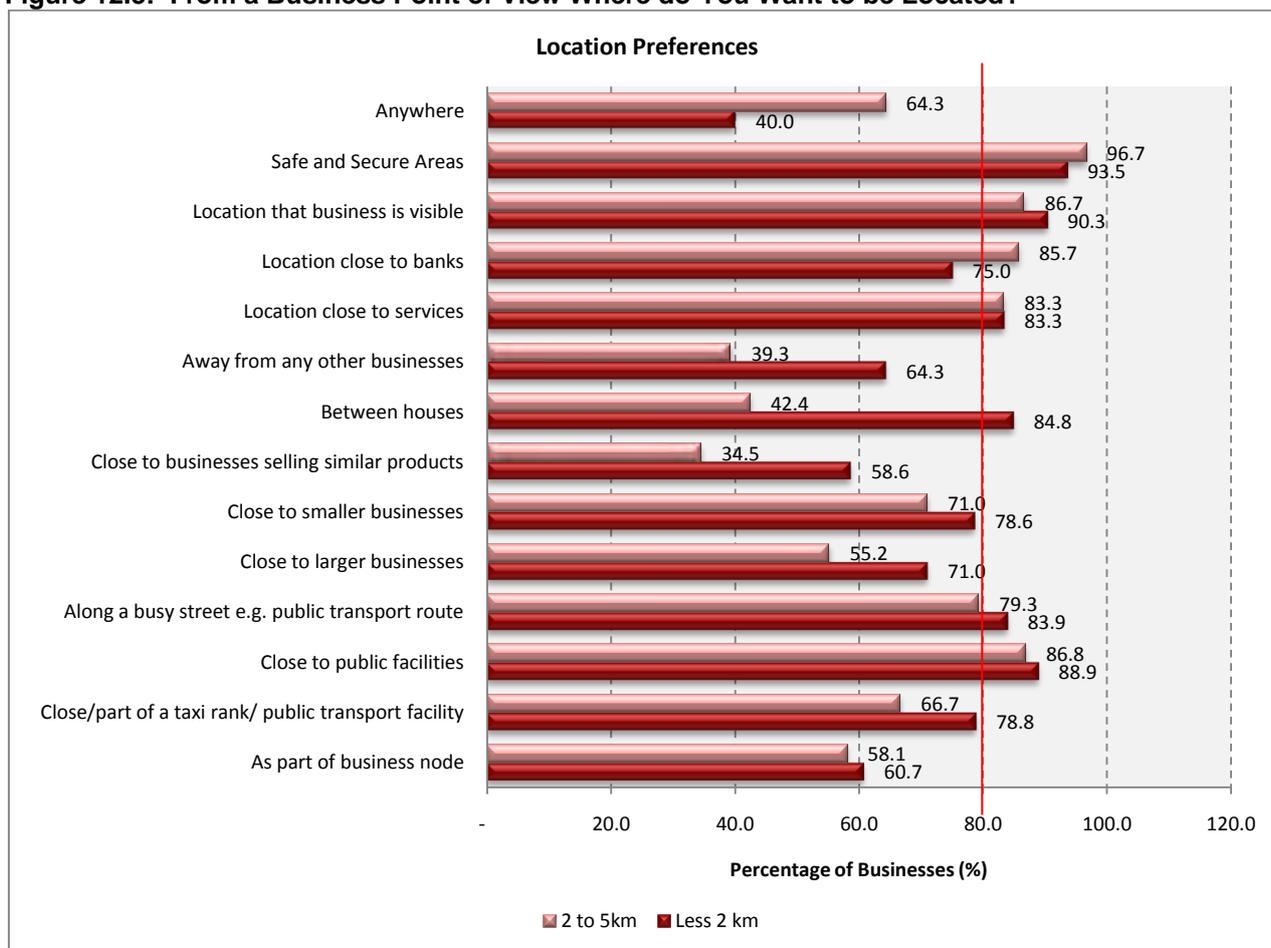
**Findings:** (Figures 12.1 to 12.2 and Table 12.2)

- ✓ The types of businesses surveyed include informal traders, registered and unregistered businesses.
- ✓ The industry they are involved in is largely related to the sale of goods for both segments. The less than 2km market segment also reflects a moderate representation of professional services, service industries, public phone services, manufacturing, landlords and day care centres. The 2 to 5km market segment also reflects a moderate representation of day care centres, professional services, service industries and manufacturing.
- ✓ The main products and services constituting the largest proportion of business income include fruit and vegetables, groceries, food, cigarettes, hair salon, internet cafe, bread, shoe repairs, cold drinks, security doors, milk, car parts, building material, chips and day care services.

**12.3.2 CURRENT LOCATION AND LOCATION REQUIREMENTS**

Subsequent paragraphs provide information on preferences regarding business location, reasons for current location, opinions in terms of the advantages of being located in proximity to, or within, formal retail centres and the ability to afford rentals within a formal centre.

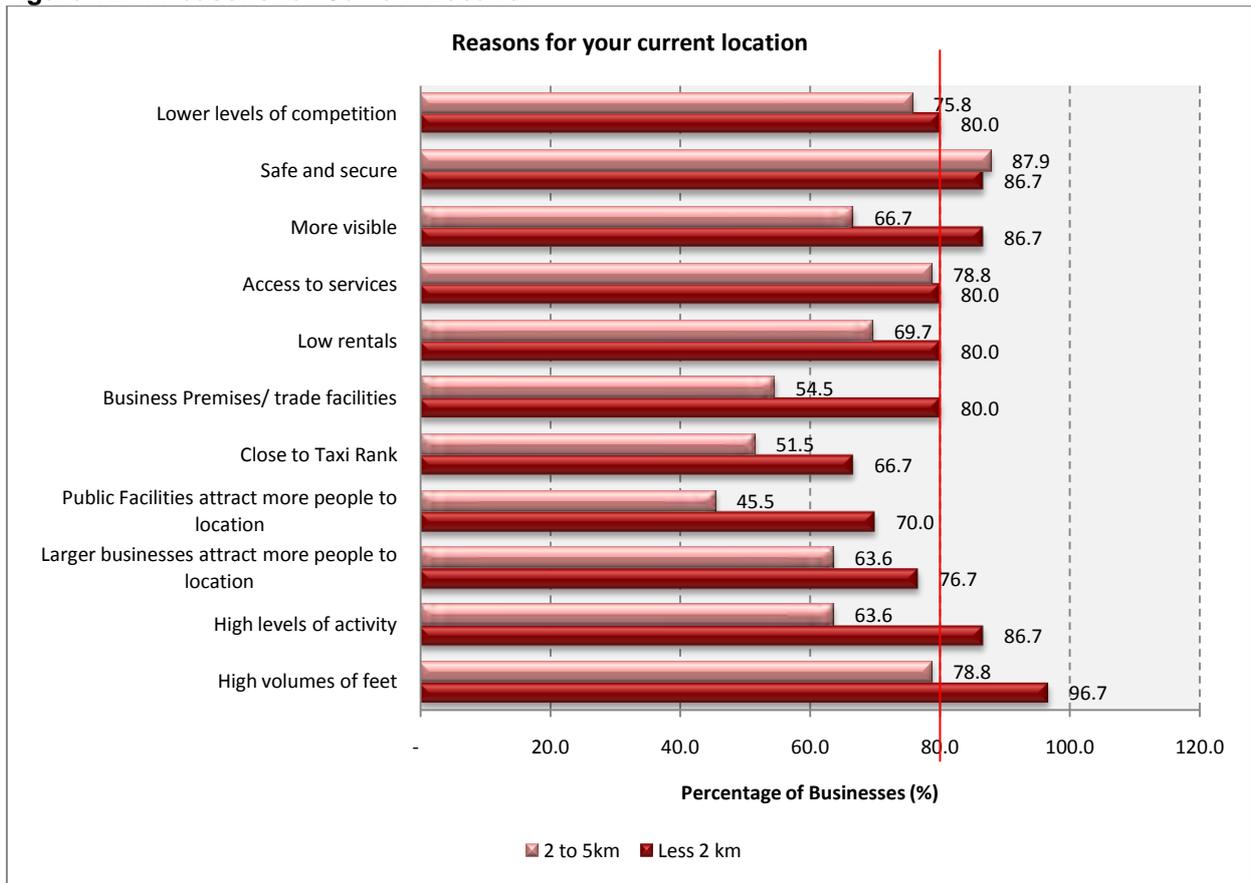
**Figure 12.3: From a Business Point of View Where do You Want to be Located?**



Source: Demacon Local Business Surveys, 2010

In terms of the dominant location preferences, it is evident that the following aspects ranked most highly: safety and security, visibility, proximity to public facilities, proximity to services, along a busy street (public transport route) and proximity to banks/financial institutions and to a lesser extent, being located between houses.

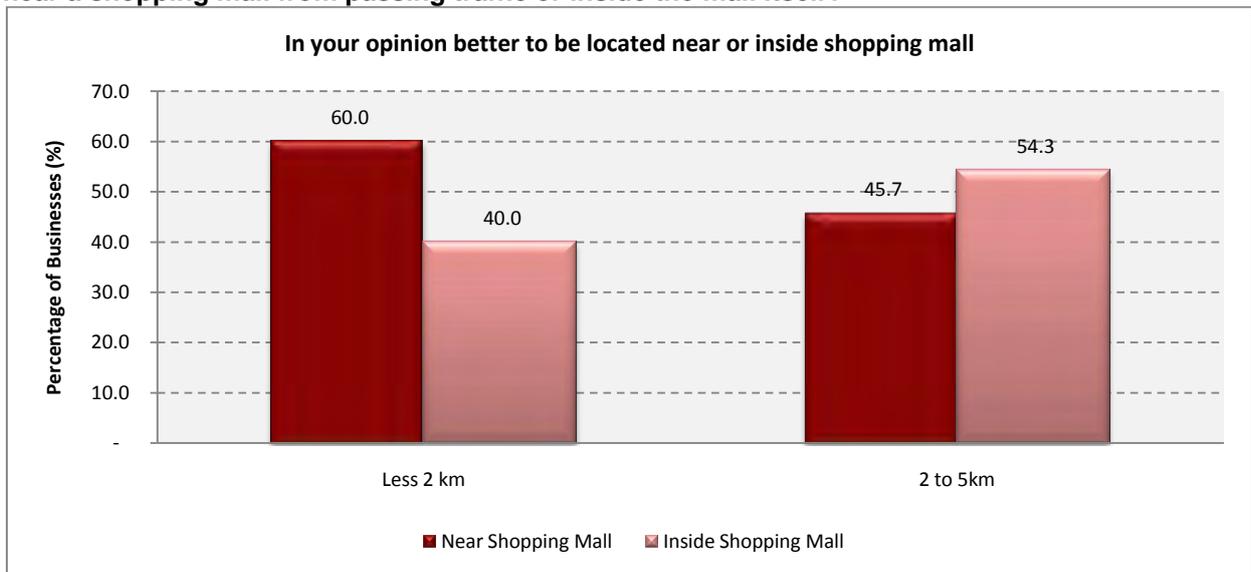
Figure 12.4: Reasons for Current Location



Source: Demacon Local Business Surveys, 2010

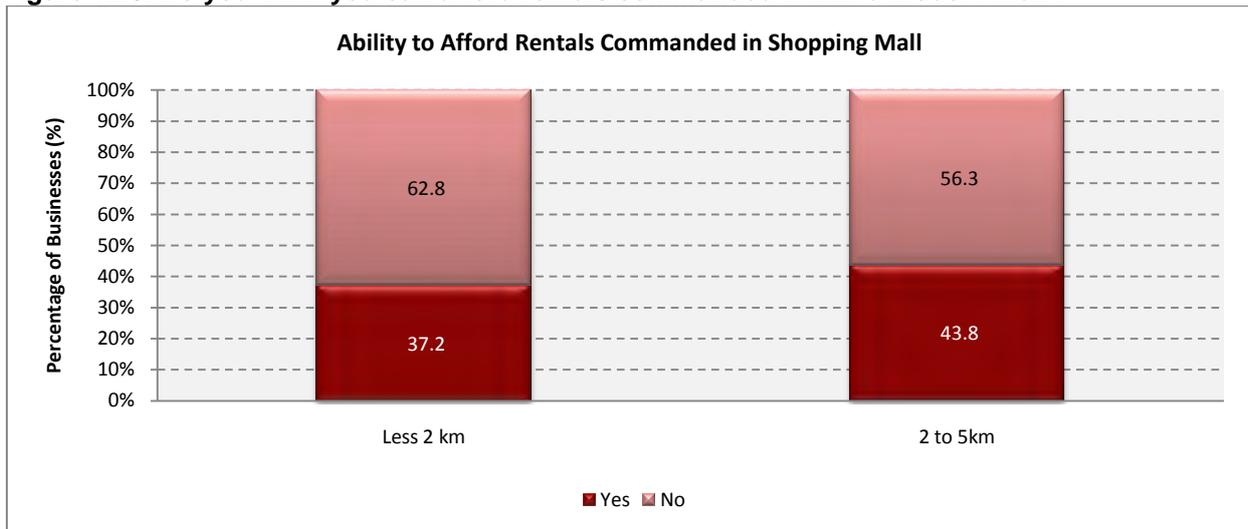
In terms of the reasons underlying their choice of current locations, the following prevailed: safety and security, visibility, lower levels of competition, access to services, low rentals, access to business premises, high levels of activity and high foot counts. Other reasons provided included convenience due to location in proximity to houses, no rentals, trading from home.

Figure 12.5: Given the nature of your business in your opinion would you be better off situated near a shopping mall from passing traffic or inside the mall itself?



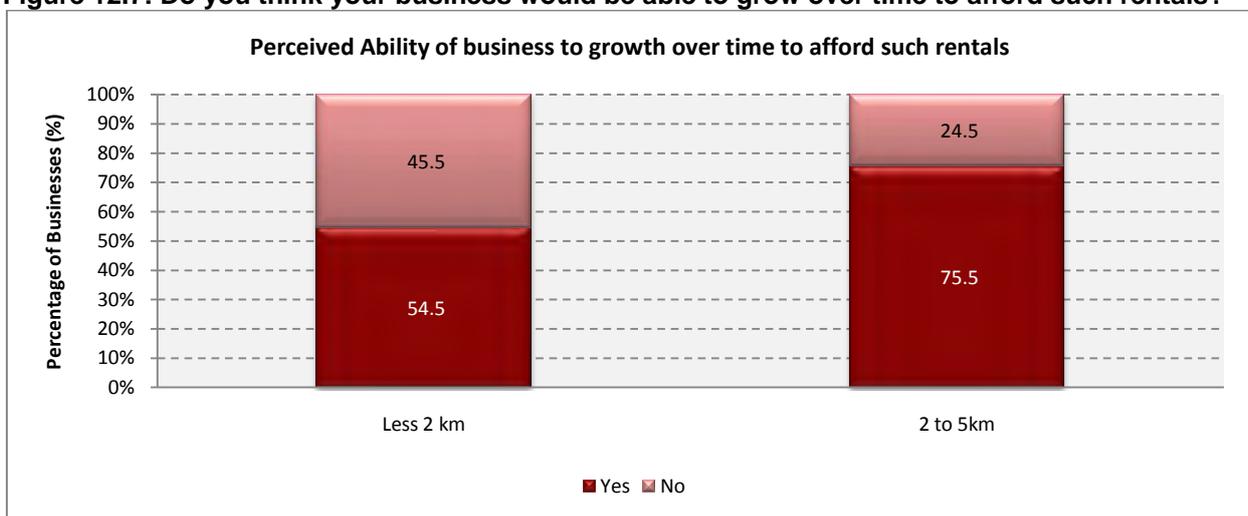
Source: Demacon Local Business Surveys, 2010

Figure 12.6: Do you think you can afford rentals commanded within a modern mall?



Source: Demacon Local Business Surveys, 2010

Figure 12.7: Do you think your business would be able to grow over time to afford such rentals?



Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.5 to 12.7)**

- ✓ The segment within 2km: the majority indicated that they prefer location in proximity to a shopping mall to being located within a formal shopping mall. The majority of businesses also indicated that they would not be able to afford mall rentals. Just fewer than 55% of businesses also indicated that they feel their businesses will be able to grow over time to afford such rentals.
- ✓ The segment between 2 and 5km: the majority preferred a location within a formal retail centre. Approximately 56% indicated that they are not able to afford the rentals, and the majority – nearly 76% - indicated that they do not feel that their businesses would mature to be able to afford such rentals.

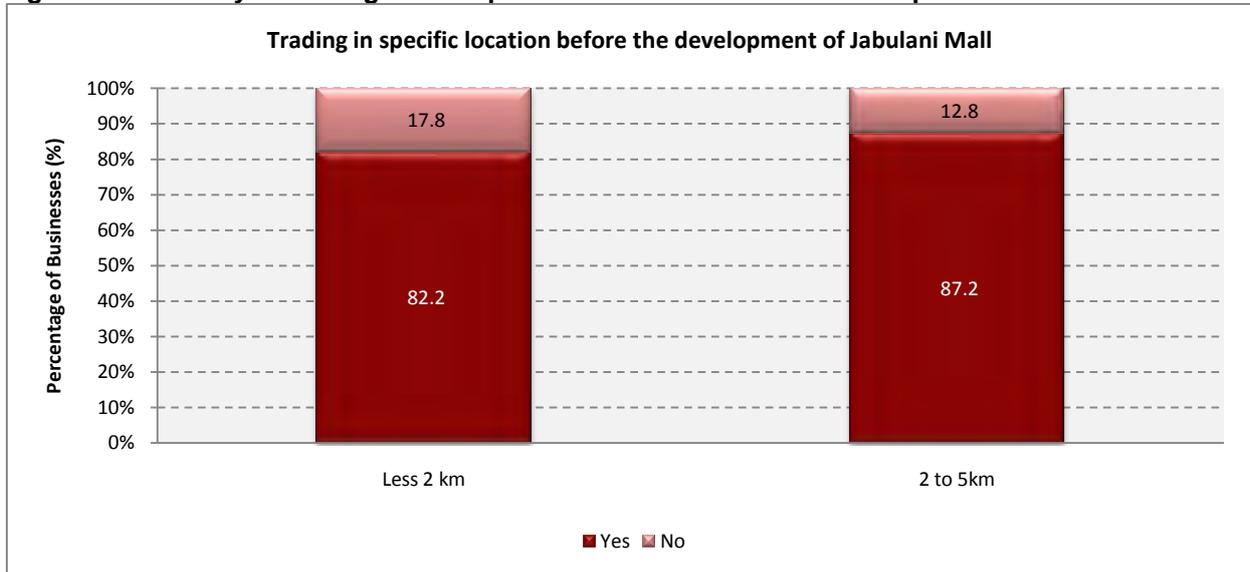
**12.3.3 PERCEIVED IMPACT OF FORMAL RETAIL CENTRE ON BUSINESS**

Subsequent paragraphs provide insight into the impact that the development of the formal retail centre had on the location of the businesses, the impact on the nature of the businesses and the impact on business performance.

### 12.3.3.1 Perceived Impact on Location

Subsequent paragraphs provide insight into the current location of the businesses and the manner in which the development of Jabulani Mall affected their current location.

**Figure 12.8: Were you trading in this specific location before the development of Jabulani Mall?**



Source: Demacon Local Business Surveys, 2010

- ✓ The majority of respondents indicated that they were trading in the same location before the development of Jabulani Mall.
- ✓ The majority of the businesses within 2km that were not trading at the same location before the development of Jabulani Mall represent registered businesses (37.5%) and informal traders (37.5%), followed by 25.0% which represent unregistered entities.
- ✓ The businesses within 2 to 5km indicated that it was mostly informal traders that have relocated to other locations (83.3%), as well as a small percentage of registered businesses (16.7%).
- ✓ The dominant reasons for changing their locations can be ascribed to construction activities within the areas, road upgrades and moving to larger premises.

#### Findings: (Figure 12.9)

Businesses within 2km of Jabulani Mall indicated the following perceived impacts:

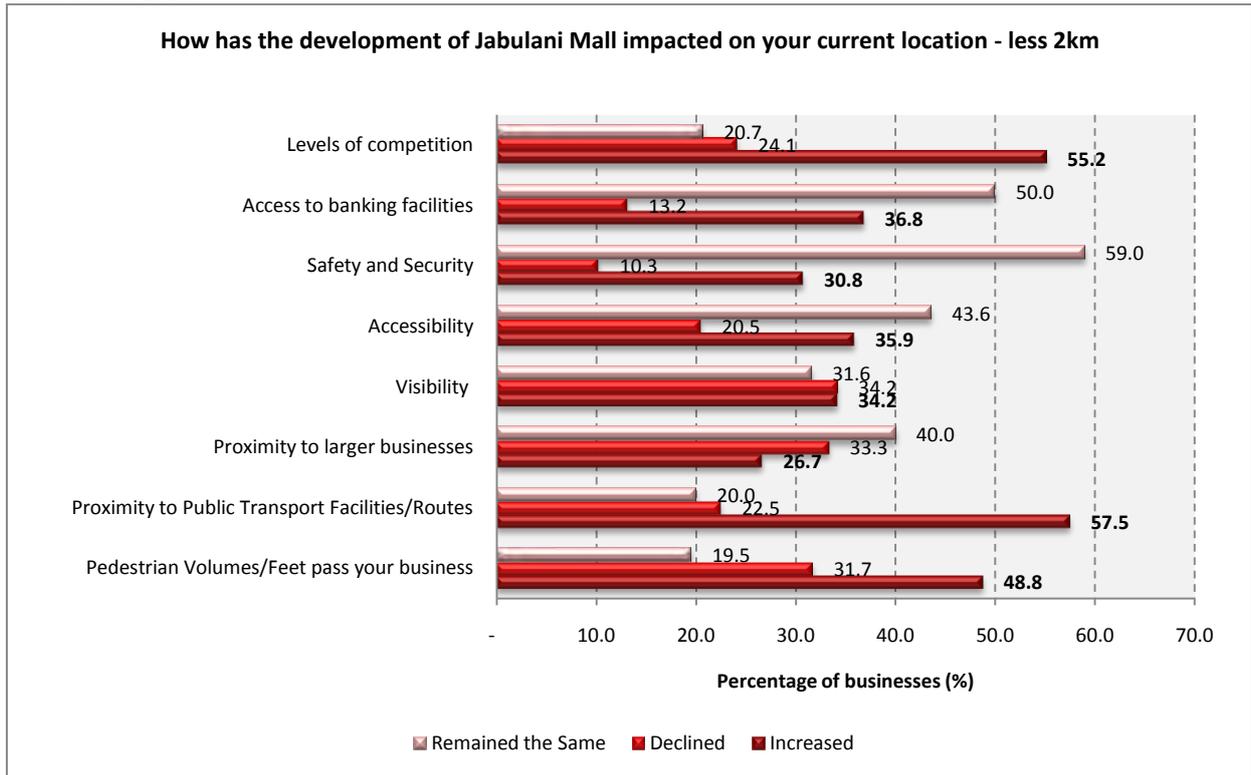
Overall the following increased:

- ✓ Levels of competition;
- ✓ Proximity to public transport facilities and routes;
- ✓ Pedestrian volumes/feet past business.

Overall the following remained the same:

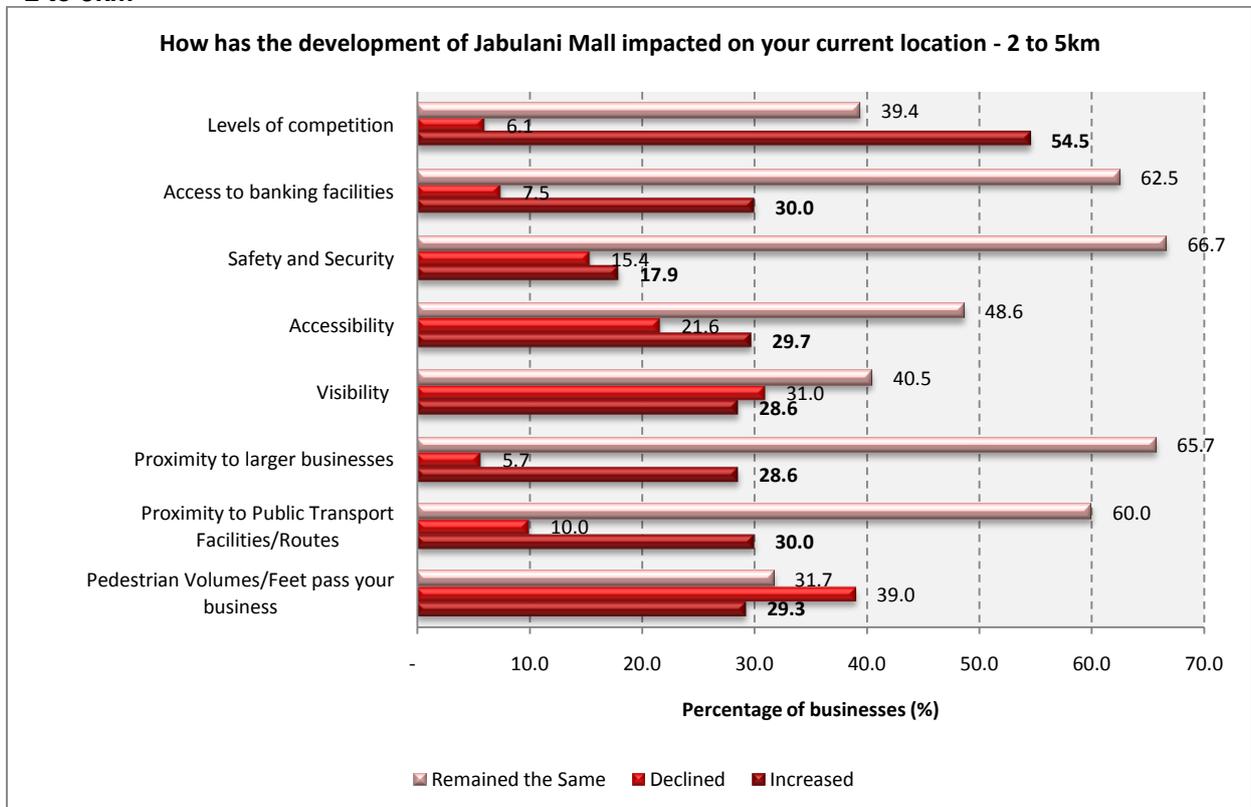
- ✓ Access to banking facilities;
- ✓ Safety and security;
- ✓ Accessibility;
- ✓ Proximity to larger businesses.

**Figure 12.9: Perceived Impact of Jabulani Mall on Current Location With Reference to Following – Less Than 2km**



Source: Demacon Local Business Surveys, 2010

**Figure 12.10: Perceived Impact of Jabulani Mall on Current Location With Reference to Following – 2 to 5km**



Source: Demacon Local Business Surveys, 2010

**Findings:** (Figure 12.10)

Businesses within 2 to 5km of Jabulani Mall indicated the following perceived impacts:

Overall the following increased:

- ✓ Levels of competition.

Overall the following remained the same:

- ✓ Safety and security;
- ✓ Proximity to larger businesses;
- ✓ Access to banking facilities;
- ✓ Proximity to public transport facilities and routes;
- ✓ Accessibility;
- ✓ Visibility.

Overall the following declined:

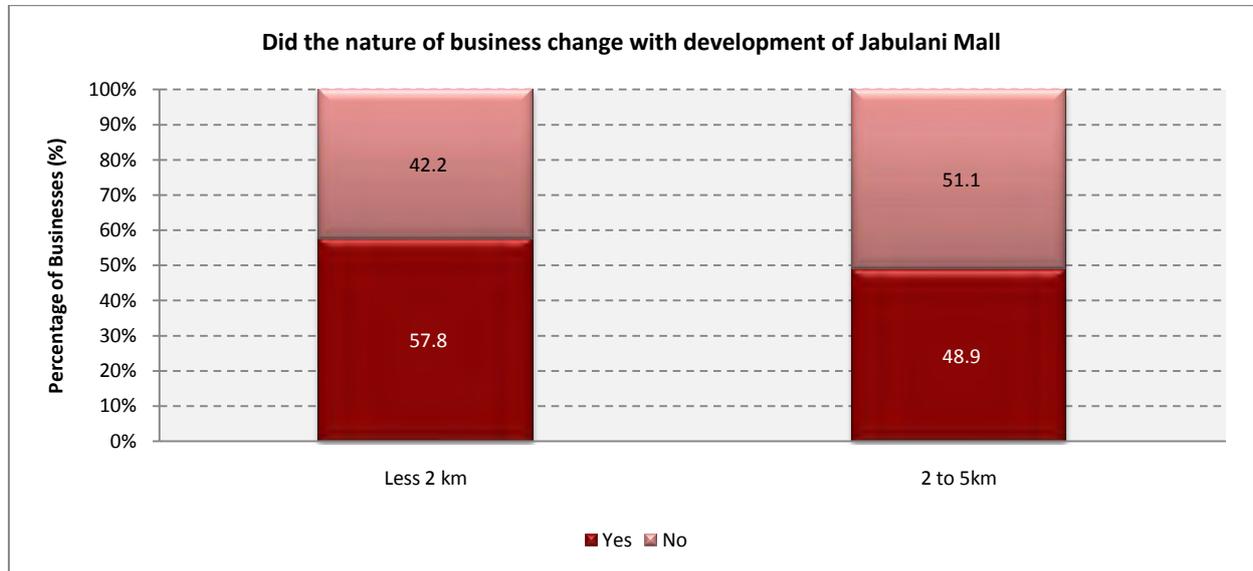
- ✓ Pedestrian volumes/feet past business.

Other impacts caused by the development of the mall, according to respondents, include increased support from construction workers during the development phases of the mall and the provision of bigger stalls in proximity to the mall.

**12.3.3.2 Perceived Impact on Nature of Business**

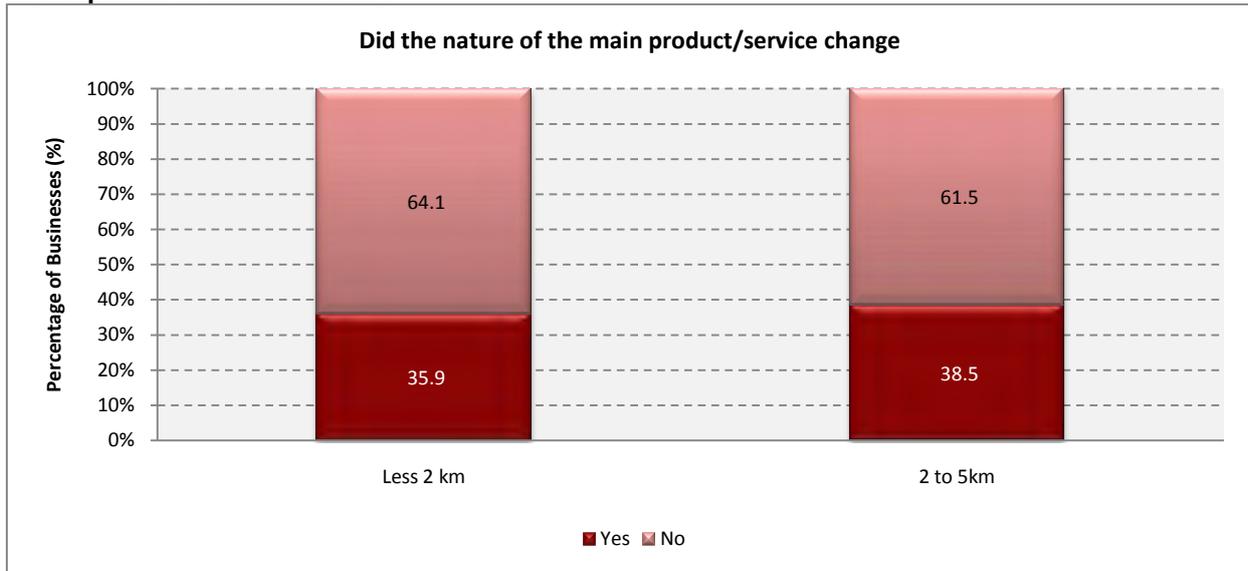
Subsequent paragraphs provide insight into the nature of the business and the impact of the development of Jabulani Mall thereon.

**Figure 12.11: Did the Nature of your Business change before and after Development of Jabulani Mall?**



Source: Demacon Local Business Surveys, 2010

**Figure 12.12: Did the nature of the dominant product or service change before and after development of Jabulani Mall?**



Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.11 and 12.12)**

- ✓ It is evident that a segment of businesses have experienced a change in the nature of their businesses since the development of Jabulani Mall. A certain segment of businesses reflected changes due to positive factors – increased customer base, higher levels of activity, profit increase, more consumers, improved business performance and business improvements. The larger segment, however, reflected changes due to negative factors – loss of customers, profit decline, change and decline in product range, extended sale of stock, increased levels of competition.
- ✓ A moderately small segment of between 35% and 39% of responding businesses indicated that a change took place in their dominant products and services. Examples of these changes are listed below:

Before Jabulani Mall	After Jabulani Mall
Ice cream	Juice and milk
Grilled chicken	Fish 'n chips
Hair salon	Hair salon & products
Internet café	Faxing & copying
Sweets	Shoe repair
Alcohol products	Shoe repair
Coffee shop	Internet café
Fruit	Soft drinks
No jewellery	Now jewellery
Small quantities	More bulk
Loose cigarettes	Fruit
Nail polish	Fruit

The dominant reasons for these changes are a result of:

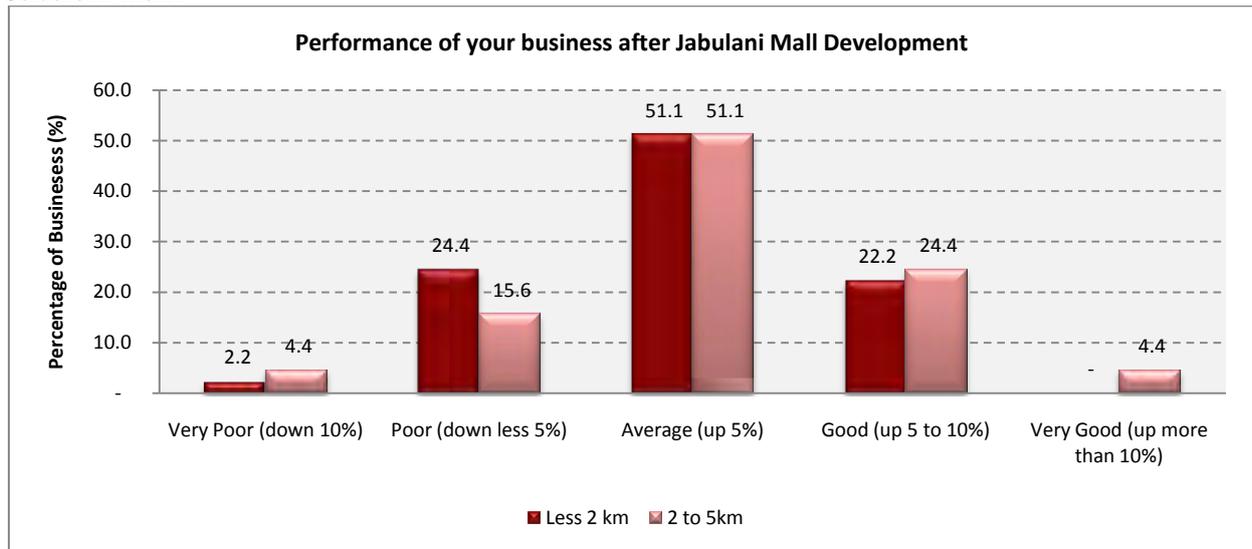
- ✓ Duplication of shops and products in the area;
- ✓ Increased levels of competition;
- ✓ Increased consumer volumes;
- ✓ Inability to compete effectively with product range;
- ✓ Price differences;
- ✓ Increased activity in the area;
- ✓ General development and improvement trends;

- ✓ A loss of customers (more of a problem as distance increases from the mall).

### 12.3.3.3 Perceived Impact on Business Performance

Subsequent paragraphs provide an indication of the impact that the development of Jabulani Mall had on the local business performance in terms of consumer volumes, stock movement, product range, turnover, profits and employment. An overall perceived impact of the development of Jabulani Mall on the local business environment was also indicated, as well as business linkages to Jabulani Mall.

**Figure 12.13: How would you Measure the Performance of Your Business after development of Jabulani Mall?**



Source: Demacon Local Business Surveys, 2010

#### Findings: (Figure 12.13)

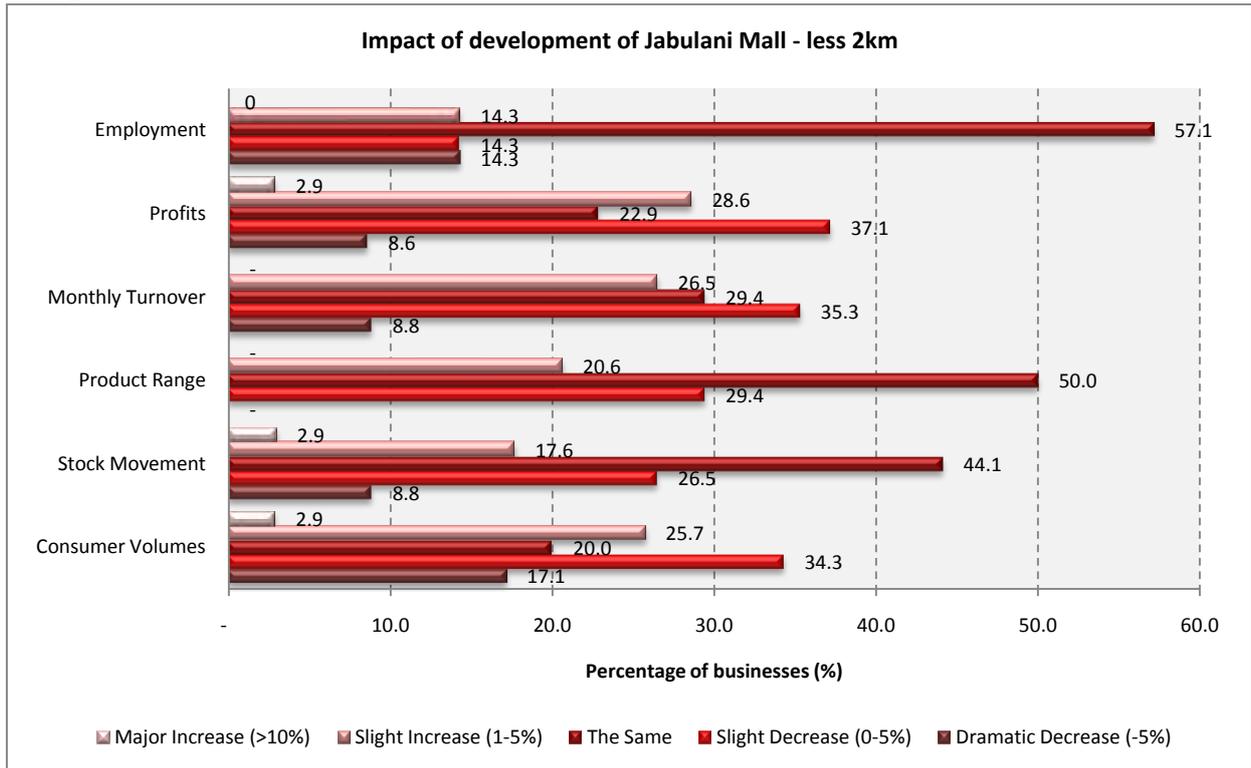
- ✓ Overall, the largest segment of respondents indicated an average business performance (up by 5%).
- ✓ Segment within 2km: A moderately small segment of 26.6% indicated a decline in their business performance and 22.2% indicated a good performance (increase up to 10%).
- ✓ Segment between 2 and 5km: – A moderately small segment of 20.0% indicated a decline in their business performance and a moderately larger segment indicated a good to very good performance (28.8%).

#### Findings: (Figure 12.14)

Overall, the following was found:

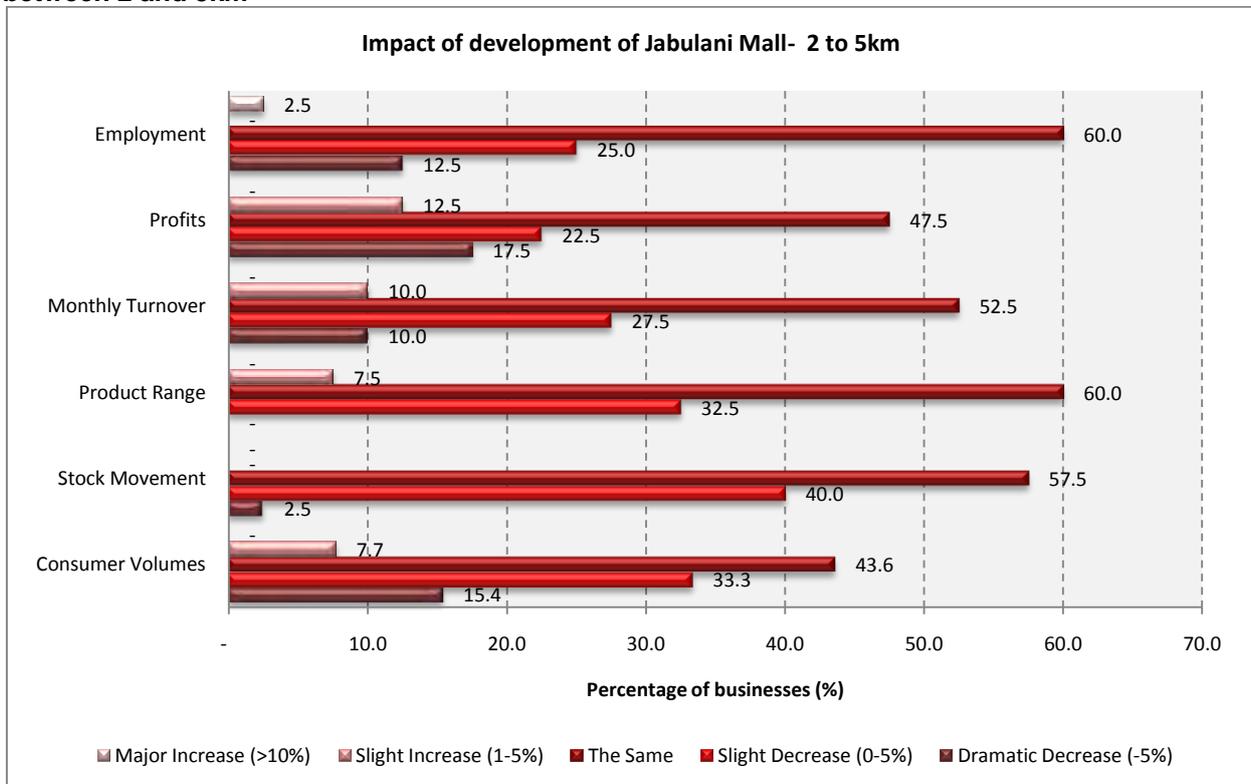
- ✓ Employment: the majority of businesses reflected that employment remained the same.
- ✓ Profits: the larger segment showed a slight decrease in profits (37.1%), followed by 28.6% indicating a slight increase in profits.
- ✓ Monthly turnover: the larger segment reflected a slight decline, 29.4% of respondents indicated it remained the same and 26.5% indicated a slight increase.
- ✓ Product range: the majority of respondents indicated that it remained the same, 29.4% indicated a slight decrease and 20.6% indicated a slight increase.
- ✓ Stock movement: the majority of respondents indicated that it remained the same, 26.5% indicated a small decline, 17.6% a slight increase and 2.9% a major increase.
- ✓ Consumer volumes: the majority of respondents indicated a slight decrease, 25.7% indicated a slight increase and 20.0% indicated that it remained the same.

Figure 12.14: Perceived impact on business performance after Jabulani Mall Development – less than 2km



Source: Demacon Local Business Surveys, 2010

Figure 12.15: Perceived impact on business performance after Jabulani Mall Development – between 2 and 5km



Source: Demacon Local Business Surveys, 2010

**Findings:** (Figure 12.15)

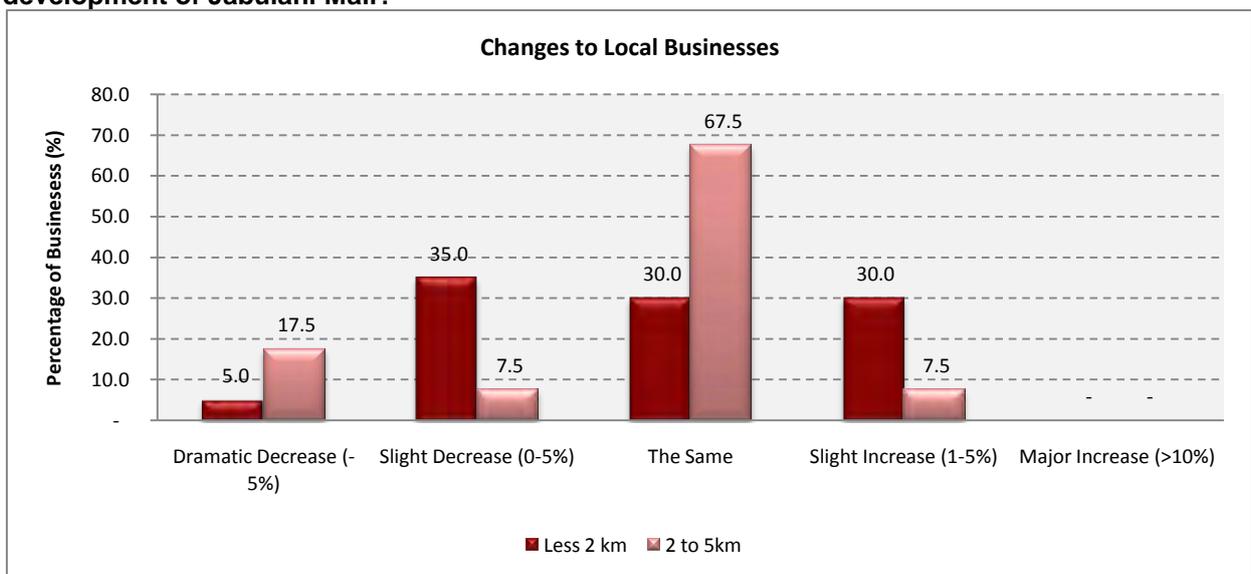
Overall, the following was found:

- ✓ Employment: the majority of businesses indicated that employment remained the same, 25.0% indicated a slight decline and 12.5% a dramatic decline.
- ✓ Profit: the larger segment indicated that it remained the same, 22.5% indicated a slight decline and 17.5% indicated a dramatic decrease, 12.5% a slight increase.
- ✓ Monthly turnover: the larger segment indicated that it remained the same, 27.5% indicated a slight decline, 10.0% indicated a dramatic decrease and 10.0% a slight increase.
- ✓ Product range: the larger segment indicated that it remained the same, 32.5% indicated a slight decrease and 7.5% indicated a slight increase.
- ✓ Stock movement: the majority of respondents indicated that it remained the same, 40.0% indicated a small decline.
- ✓ Consumer volumes: the majority of respondents indicated a slight decrease, 33.3% indicated a slight increase, 15.4% indicated a dramatic decrease and 7.7% a slight increase.

Respondents also listed a number of factors affecting their business performance besides the development of Jabulani Mall:

- ✓ Crime and stock theft;
- ✓ High levels of competition;
- ✓ Expensiveness of stock;
- ✓ Lack of business support;
- ✓ Lack of business finance;
- ✓ Increased running cost;
- ✓ Lack of proper business planning;
- ✓ Inability to gain profit;
- ✓ Quality of stock;
- ✓ Poor product branding.

**Figure 12.16: What have you perceived with regard to local businesses in the areas with the development of Jabulani Mall?**

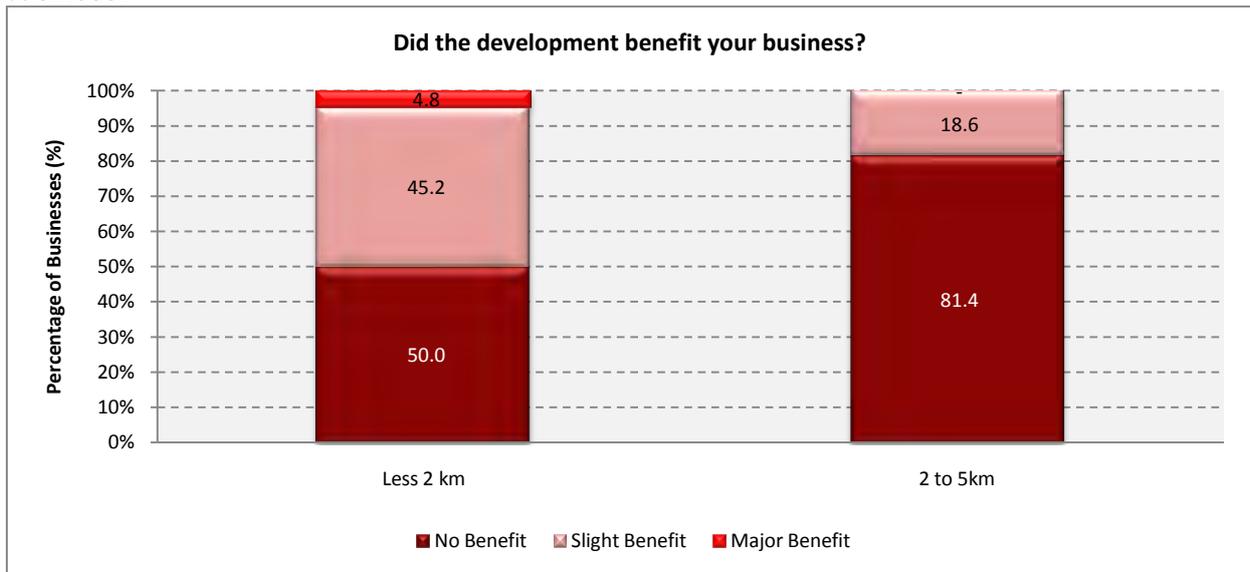


Source: Demacon Local Business Surveys, 2010

**Findings:** (Figure 12.16)

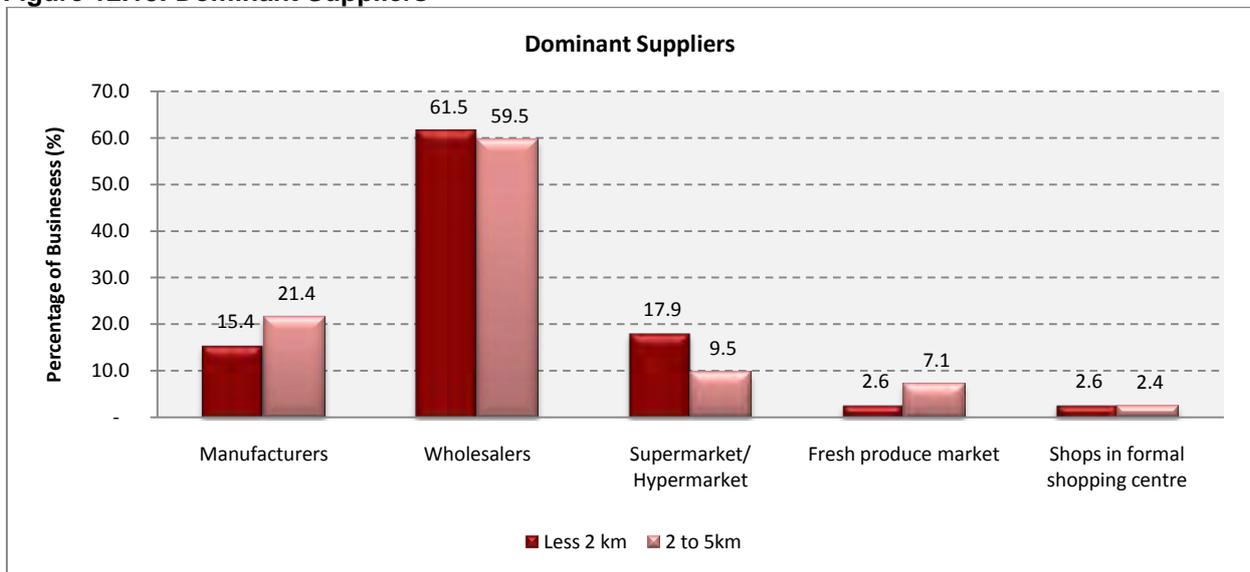
- ✓ In terms of the segment within 2km of Jabulani Mall: approximately 40% indicated a decrease in local businesses, 30.0% indicated that it remained the same and 30.0% indicated a slight increase in local businesses.
- ✓ The segment between 2 and 5km from Jabulani Mall: the larger segment of respondents indicated that everything remained the same – 67.5%, 25.0% indicated a decline in businesses and 7.5% a slight increase in local businesses.

**Figure 2.17: In general would you say that the development of Jabulani Mall had benefited your business?**



Source: Demacon Local Business Surveys, 2010

**Figure 12.18: Dominant Suppliers**



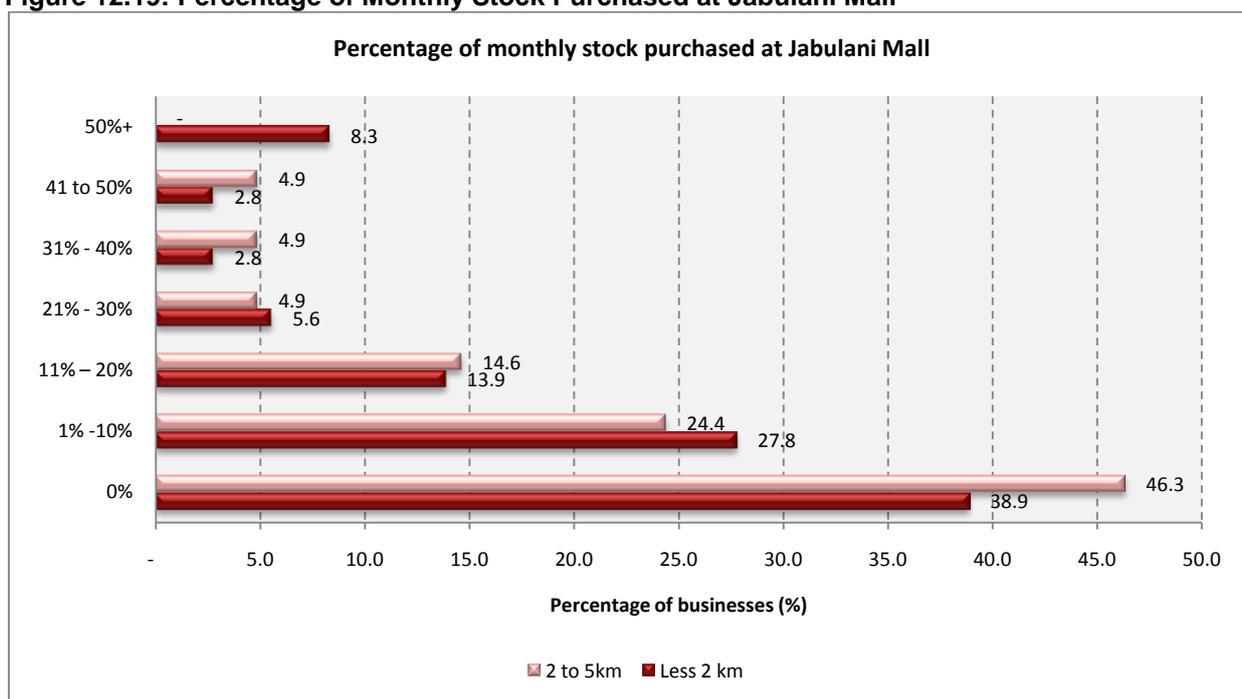
Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.17 to 12.19)

- ✓ In terms of the segment within 2km: half of the respondents indicated that the development of the mall had no benefit for their business, 45.2% indicated a slight benefit and 4.8% indicated major benefits.

- ✓ In terms of the segment between 2 and 5km: the larger segment of 81.4% indicated no benefits and 18.6% indicated a slight benefit.
- ✓ In general, the benefits resulted from: increased consumer volumes, increased passing traffic, increased sales, proximity to suppliers, increased product recognition, availability of stock, proximity to banking facilities, accessibility and visibility.
- ✓ In general the dominant suppliers are represented by wholesalers, manufacturers and supermarket/hypermarkets.
- ✓ It is interesting to note that the local businesses in closer proximity to Jabulani Mall purchase higher percentages of monthly stock from the mall. The average weighted percentage of monthly stock purchased at Jabulani Mall amounts to 11.8% for businesses within 2km and 8.7% for businesses located between 2 and 5km from the mall.

Figure 12.19: Percentage of Monthly Stock Purchased at Jabulani Mall



Source: Demacon Local Business Surveys, 2010

### 12.3.4 BUSINESS PROBLEMS AND REQUIRED SUPPORT

Businesses indicated current business problems which are impeding their growth. An indication was also provided pertaining to the awareness of business support organisations, identification of business support needs and a willingness to accept business support if offered.

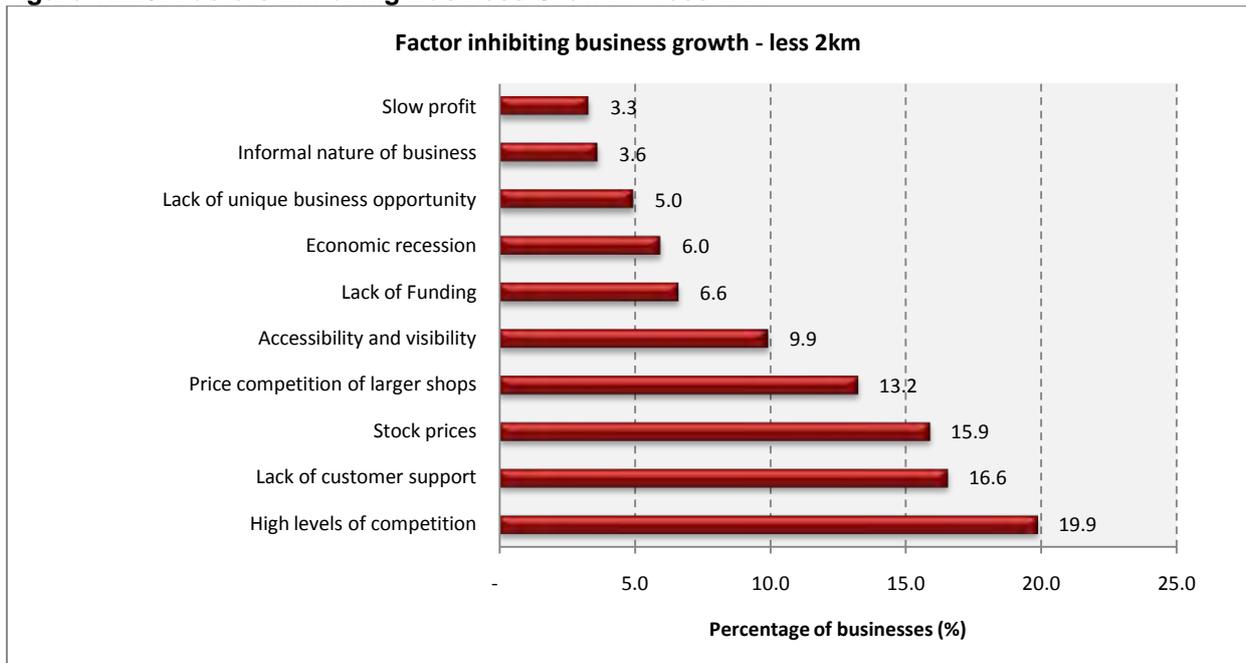
Table 12.3: Factors inhibiting your business from relocating to a formal retail centre such as Jabulani Mall

Less than 2 km	2 to 5 km
1. Lack of customers	1. Lack of funding
2. Lack of funding	2. Lack of business education
3. Product recognition	3. Nature of business
4. Nature of business	4. High rentals
5. High rentals	5. Inability to compete with nationals
6. Limited business growth	6. Poor business performance
7. Poor business performance	7. Lack of customers

Source: Demacon Local Business Surveys, 2010

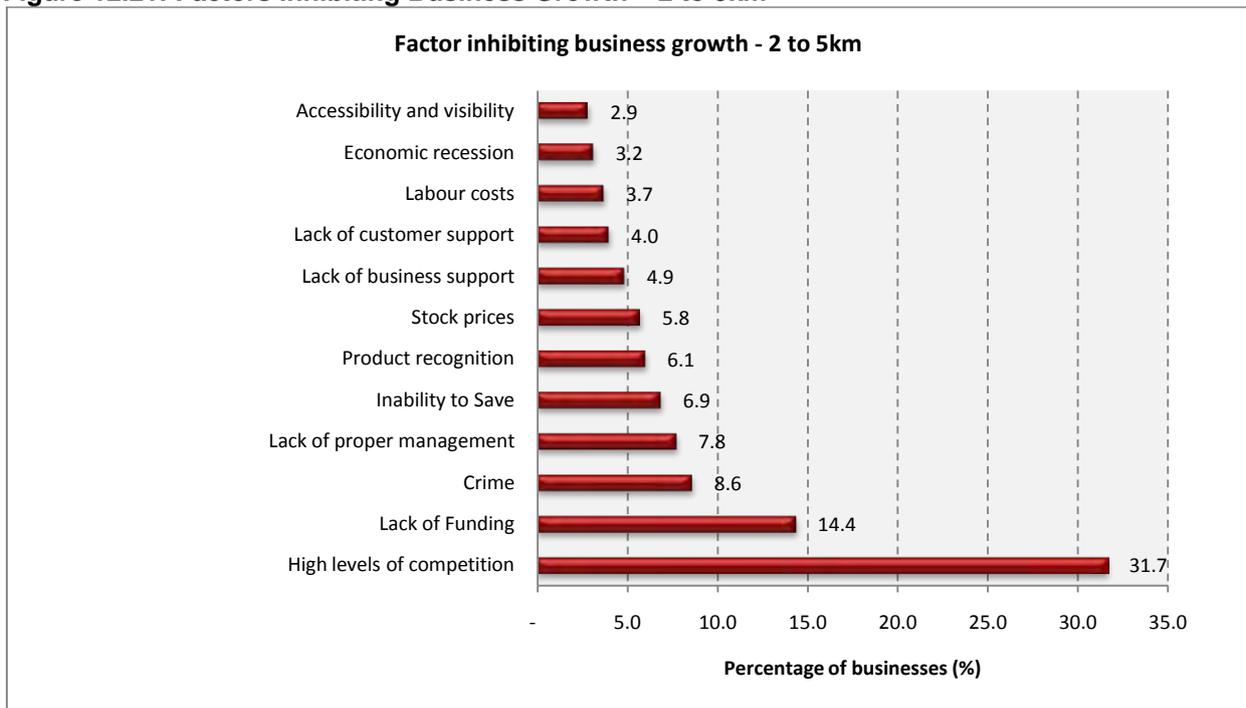
It is evident from Table 12.3 that the dominant factors inhibiting businesses from relocating to formal retail centres include a lack of customers, lack of business funding, product recognition, informal nature of the business, high rentals, limited business growth, poor business performance, lack of business education and the inability to compete with national tenants.

Figure 12.20: Factors Inhibiting Business Growth – less 2km



Source: Demacon Local Business Surveys, 2010

Figure 12.21: Factors Inhibiting Business Growth – 2 to 5km

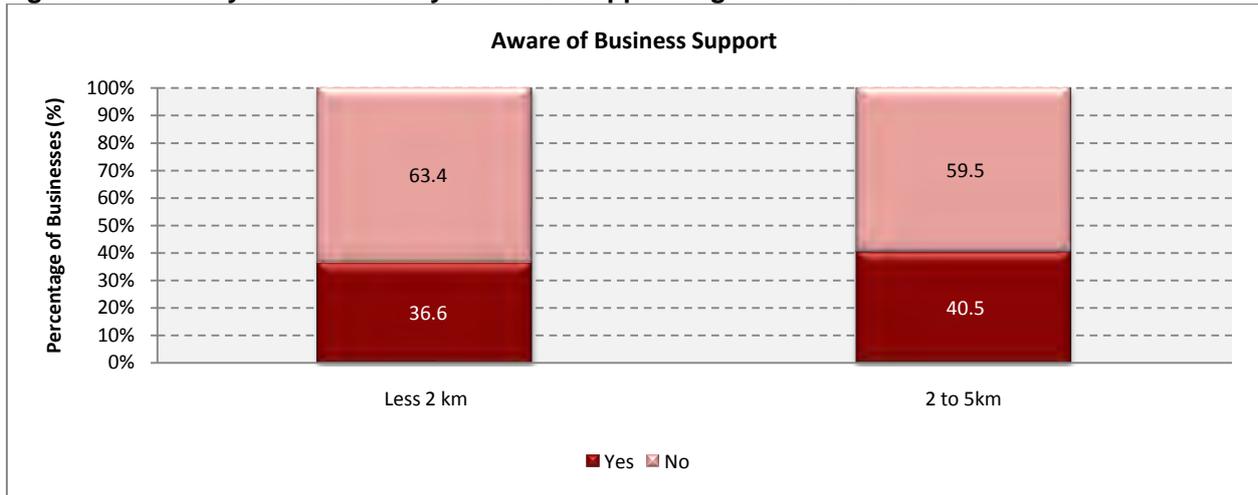


Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.20 and 12.21)**

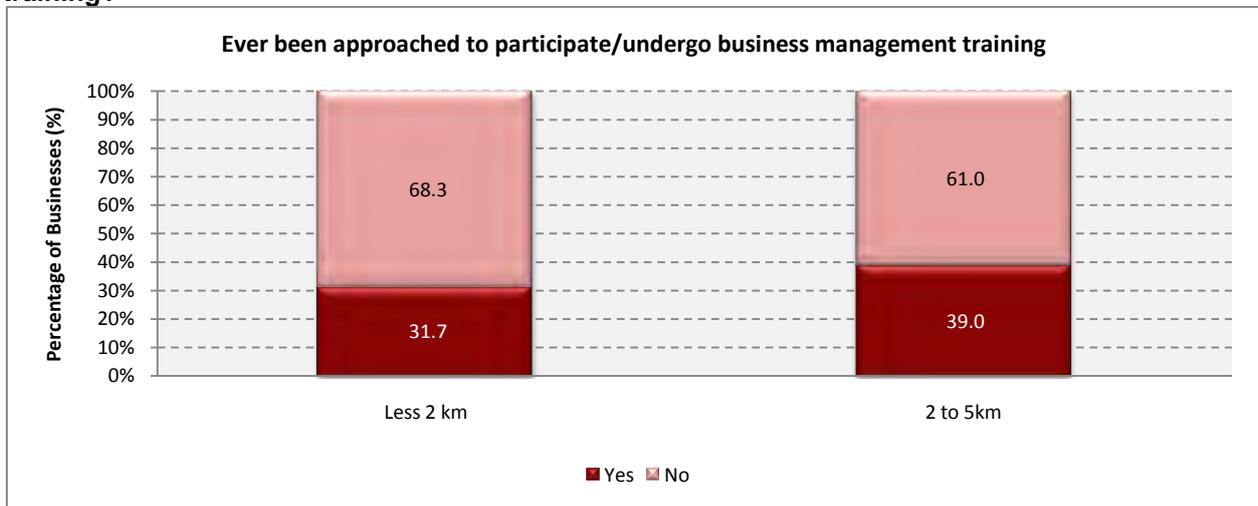
In general the dominant factors inhibiting local business growth include: high levels of competition, lack of customer support, lack of funding, stock prices, crime, lack of proper business management, inability to save additional income, accessibility and visibility, impact of economic recession, product recognition, lack of unique business opportunity, nature of business, lack of business support and labour cost.

Figure 12.22: Are you aware of any business support organisations?



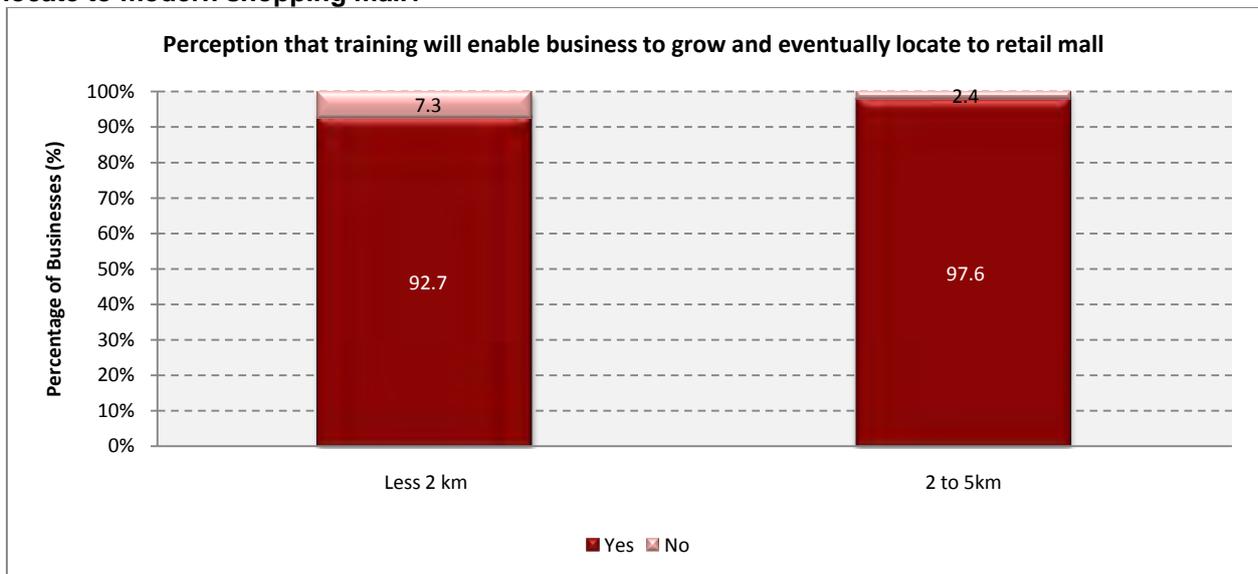
Source: Demacon Local Business Surveys, 2010

Figure 12.23: Have you ever been approached to participate or undergo business management training?



Source: Demacon Local Business Surveys, 2010

Figure 12.24: Do you believe such training will enable your business to grow and eventually locate to modern shopping mall?



Source: Demacon Local Business Surveys, 2010

Figure 12.25: Will you accept such training if it were offered?



Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.22 to 12.24)

- ✓ A moderate segment of local businesses are aware of business support organisations – 36.6% to 40.5%.
- ✓ A relatively small segment of local business have been approached to participate in or undergo business training – 31.7% to 39.0%.
- ✓ The majority of local businesses believe that this type of training that would enable their businesses to grow and would enable them to relocate to formal retail centres such as Jabulani Mall.
- ✓ It is also evident that the majority of these local businesses indicated that they would accept training if it were offered – 80.5% to 92.7%.

Local businesses also ranked their business support requirements – as indicated in Table 12.4.

Table 12.4: Ranking of Business Support Requirements

	1	2	3	4	5	
<b>Segment – less 2km</b>						
Financial support	15.2	6.1	-	42.4	36.4	100
General business skills training	12.9	9.7	9.7	38.7	29.0	100
Legal advice	12.1	15.2	9.1	30.3	33.3	100
Business planning advice	3.1	12.5	15.6	31.3	37.5	100
Marketing assistance	9.1	-	15.2	42.4	33.3	100
Produce research and information	3.2	9.7	12.9	48.4	25.8	100
Communication assistance	-	12.1	18.2	39.4	30.3	100
Technical assistance	3.1	18.8	12.5	34.4	31.3	100
Networking forums	3.0	18.2	15.2	30.3	33.3	100
Physical facilities	9.1	3.0	15.2	42.4	30.3	100
<b>Segment –2 to 5km</b>						
Financial support	-	-	14.3	31.4	54.3	100
General business skills training	-	3.0	18.2	33.3	45.5	100
Legal advice	-	-	17.6	44.1	38.2	100
Business planning advice	2.9	-	11.8	44.1	41.2	100
Marketing assistance	-	-	6.1	48.5	45.5	100
Produce research and information	-	-	11.8	41.2	47.1	100
Communication assistance	-	-	14.3	40.0	45.7	100
Technical assistance	3.1	-	12.5	46.9	37.5	100
Networking forums	-	-	8.6	40.0	51.4	100
Physical facilities	2.9	-	11.8	32.4	52.9	100

Source: Demacon Local Business Surveys, 2010

Overall, the following business support requirements are evident:

- ✓ Segment within 2km: legal advice, business planning advice, networking forums, financial support, product research and information, marketing assistance, physical facilities.
- ✓ Segment between 2 and 5km: financial support, physical facilities, networking forums, product research and information, communication assistance, general business skills training, marketing assistance.

### 12.3.5 BUSINESS OWNER AND BUSINESS INFORMATION

Subsequent paragraphs provide background information on the business owner in terms of racial profile, gender profile, age profile, highest level of education, business training, previous work experience, reasons for starting a business.

They also provide information pertaining to the business itself – the age of the business, number of employees, access to facilities and services, business planning, bank products and average monthly business turnover.

**Table 12.5: Business Owner Information**

	Less 2 km	2 to 5km
<b>Racial Profile</b>		
Black	90.5	91.1
Coloured	7.1	8.9
Indian/Asian	2.4	-
White	-	-
<b>Gender Profile</b>		
Male	69.0	65.1
Female	31.0	34.9
<b>Age Profile</b>		
16-24 yrs	4.9	2.4
25 -34 yrs	48.8	35.7
35 – 49 yrs	31.7	38.1
50yrs+	14.6	23.8
<b>Highest Level of Education</b>		
No schooling	4.8	6.8
Primary	11.9	11.4
Some secondary	33.3	29.5
Matric	38.1	36.4
Post matric qualification	7.1	11.4
Bachelors degree	-	4.5
Any post graduate degree	4.8	-
<b>Any Form of Business Training</b>		
Yes	20.5	31.0
No	79.5	69.0
<b>Where Were Skills Learned</b>		
Self taught	52.9	61.9
Family	14.7	11.9
Previous job	14.7	9.5
Training programme	11.8	11.9
Mentor/advisor	-	2.4
Tertiary institution	5.9	2.4
<b>Previous Work Experience</b>		
None	34.1	35.7
1 Year	-	4.8
2 Years	9.8	14.3
3 Years	14.6	9.5
5 Years	14.6	9.5
10 Years	7.3	7.1
10 Years+	19.5	19.0
<b>Motivation for Starting Own Business</b>		
Wanted to own business	41.5	41.9
Couldn't find another job	29.3	23.3
Was retrenched	9.8	11.6
For survival/income purposes	17.1	16.3

	Less 2 km	2 to 5km
Business was inherited	2.4	7.0
Religious regions	-	-

Source: Demacon Local Business Surveys, 2010

**Findings: (Table 12.5)**

- ✓ Business owners in general represent African black males between the ages of 25 and 49 years.
- ✓ The largest segment of business owners reflected highest education levels of some secondary and matric levels (11.9% to 15.9% indicated post matric education levels).
- ✓ A small segment of business owners have some form of business training – 20.5% to 31.0%.
- ✓ Skills are predominantly self-taught, or learned from family members, previous jobs and, to a lesser extent, through training programmes.
- ✓ A relatively large segment of business owners have no previous work experience, 38% to 39% of business owners have less than five years work experience and 16.1% to 26.8% have more than 10 years previous work experience.
- ✓ The main reasons for starting own business: wanted to own their own business, couldn't find another job and for survival/income purposes.

**Figure 12.26: Ownership of Business Premises**

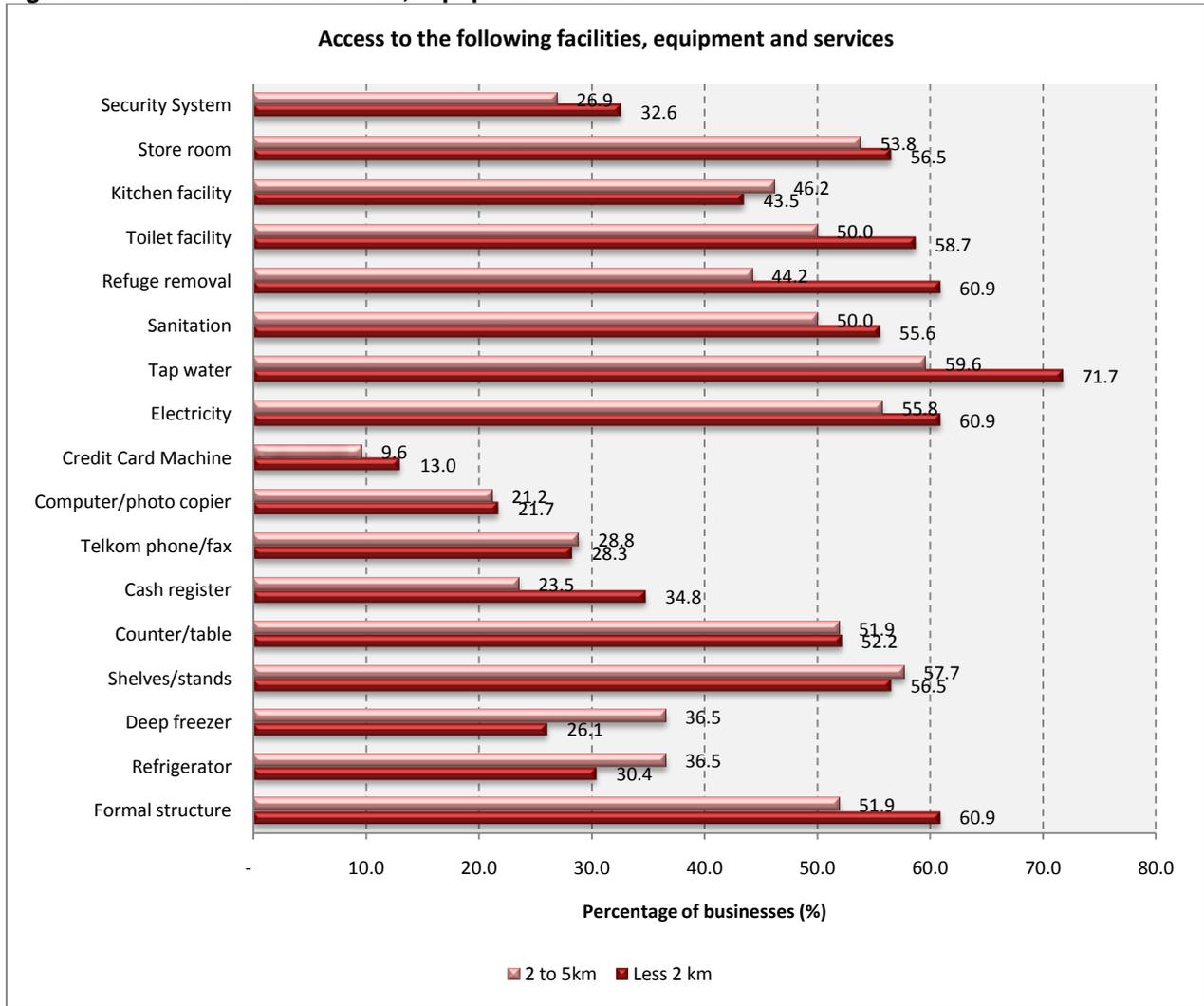


Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.26 and 12.27)**

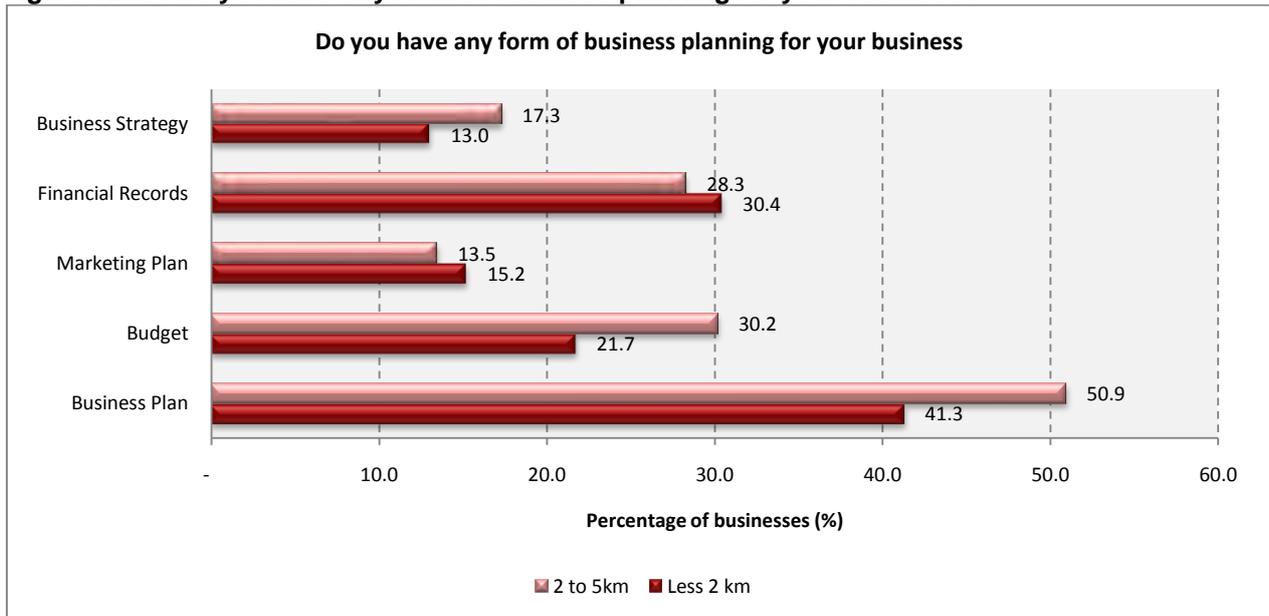
- ✓ A nearly even share of local businesses own or rent their business premises, with a small segment occupying them without paying rentals.
- ✓ In general businesses have access to the following:
  - Segment within 2km: tap water, formal structure, electricity, refuse removal, toilet facility, shelves/stand, store room/facility.
  - Segment between 2 and 5km: tap water, shelves/stand, electricity, storeroom, formal structure, counter/table, sanitation and toilet facility.

Figure 12.27: Access to Facilities, Equipment and Services



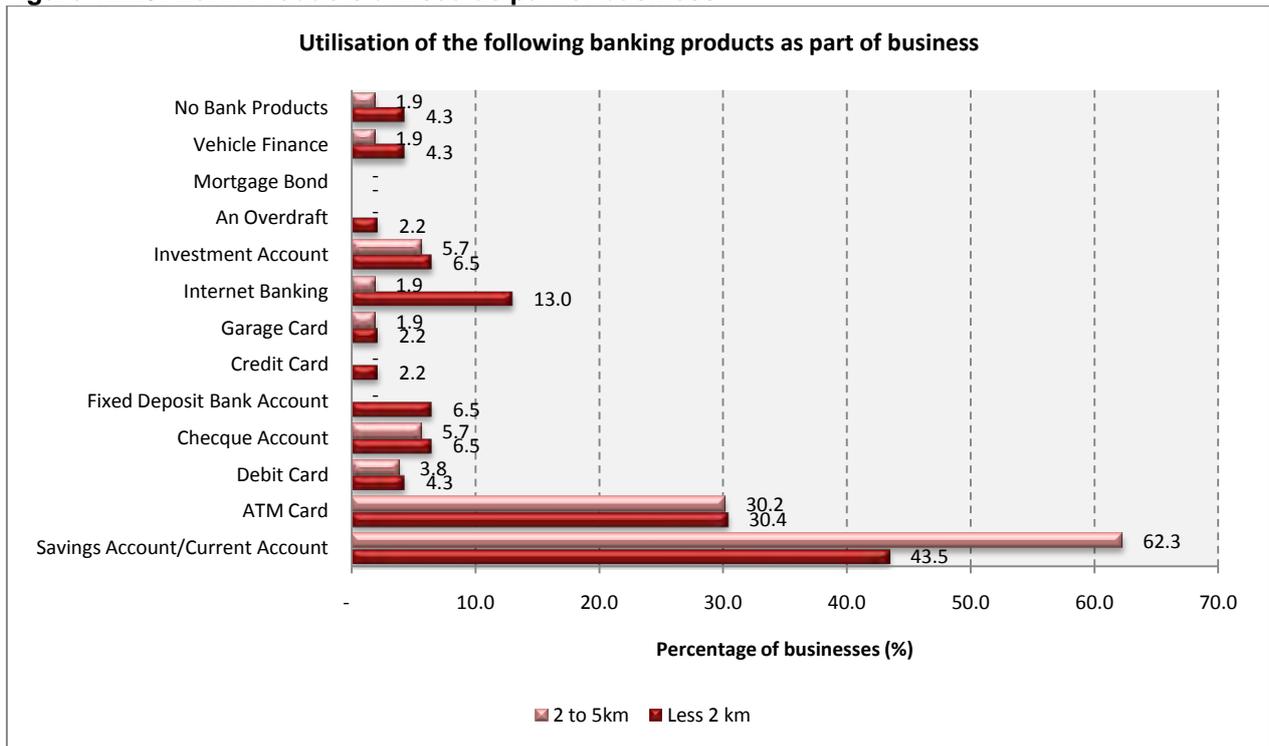
Source: Demacon Local Business Surveys, 2010

Figure 12.28: Do you have any form of business planning for your business?



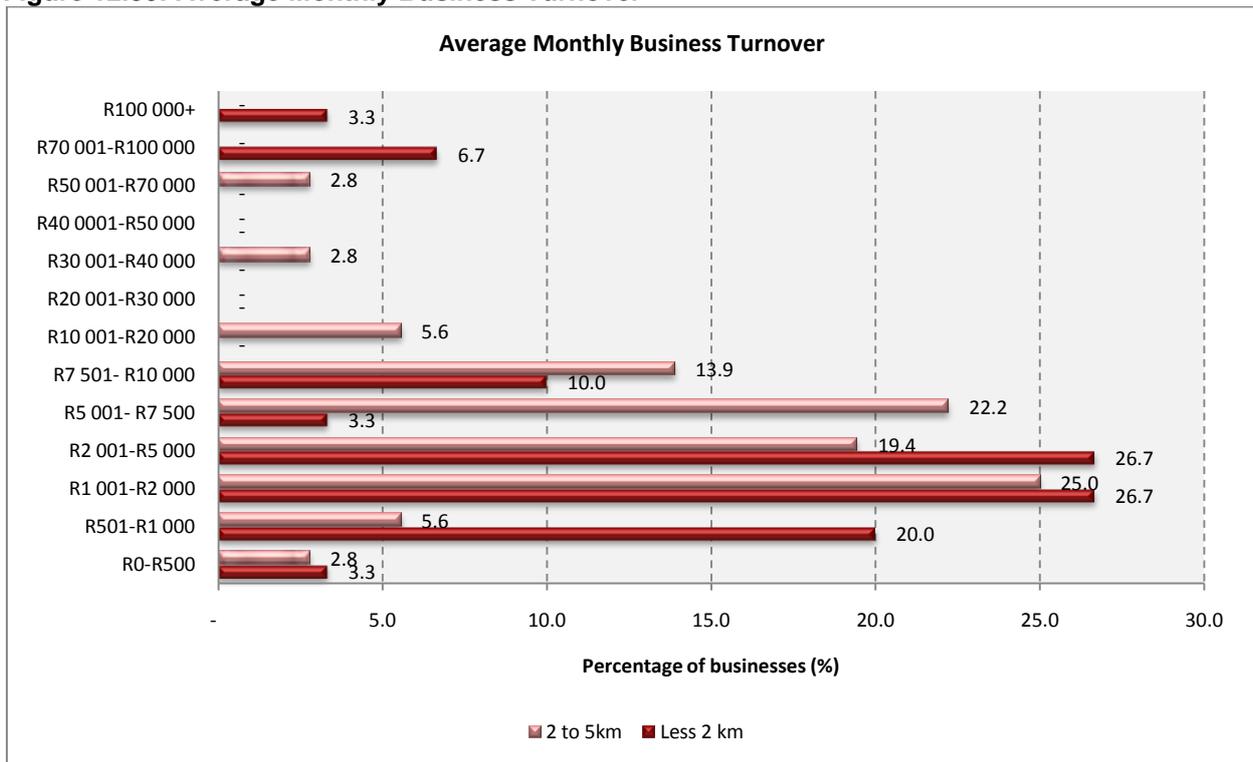
Source: Demacon Local Business Surveys, 2010

Figure 12.29: Bank Products utilised as part of business



Source: Demacon Local Business Surveys, 2010

Figure 12.30: Average Monthly Business Turnover



Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.28 to 12.30)**

- ✓ In terms of forms of business planning it is evident that business plans were only preferred by a few local businesses – 41.3% to 50.9%. This is followed by a small segment utilising a budget and financial records. To a lesser extent use is made of a marketing plan or business strategy.

- ✓ In terms of banking products utilised as part of the businesses, the following was found: a savings accounts or current accounts with ATM cards represent the dominant banking products utilised. Other products used to a lesser extent include cheque accounts, investment accounts, debit cards, internet banking and fixed deposit bank accounts.
- ✓ Businesses within 2km mainly reflected average monthly incomes between R1 000 and R5 000 – 45.4%, 23.3% indicated monthly incomes less than R1 000 per month and 23.3% indicated monthly income above R5 000 per month. The average weighted monthly business income amounts to R10 742.2.
- ✓ Businesses between 2 and 5km from Jabulani Mall predominantly earn incomes between R2000 and R10 000 per month, 8.4% earn incomes below R2 000 per month and 11.1% earn incomes above R10 000 per month. The average weighted monthly business income amounts to R7 181. 0.

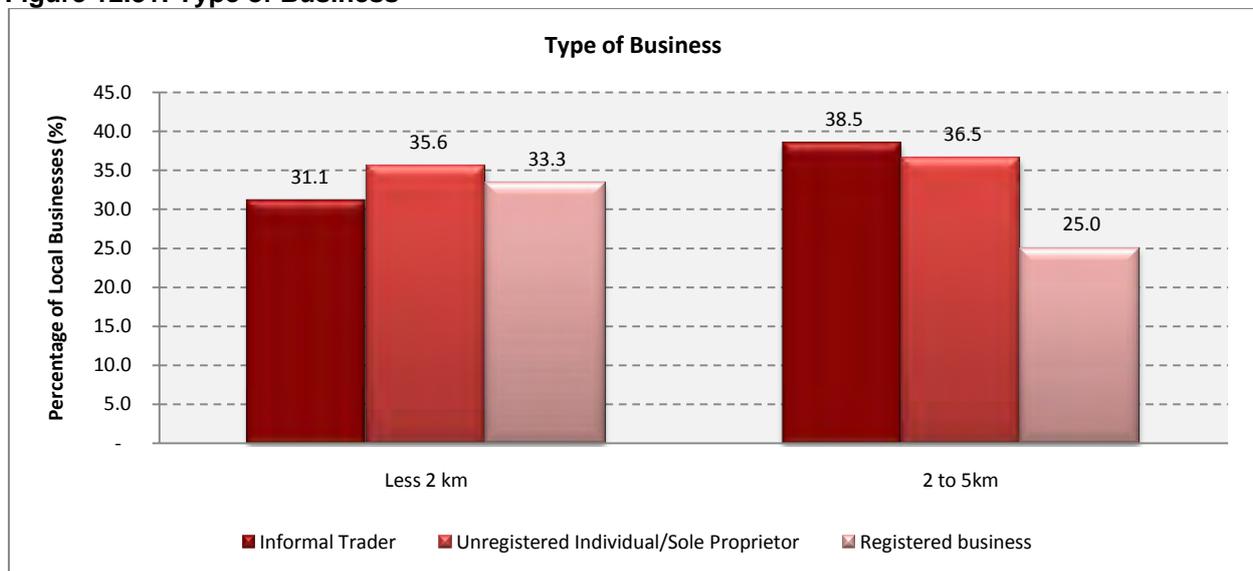
## 12.4 CENTRAL CITY: IMPACT ON LOCAL BUSINESS ENVIRONMENT

Subsequent paragraphs examine the findings of the local business surveys conducted within Soshanguve, around Central City. Surveys were conducted with informal traders, spaza shops and local businesses and retailers within 1km, 2km, 3km, 4k and 5km from Central City – Refer to Map 12.2. Findings are also presented in terms of two segments: businesses within 2km from Central City and those within 2 to 5km from Central City.

### 12.4.1 BUSINESS CLASSIFICATION

This section provides general information on the type of business, the industry the business is involved in and their main product or service.

Figure 12.31: Type of Business



Source: Demacon Local Business Surveys, 2010

Map 12.2: Central City Business Survey Radiuses

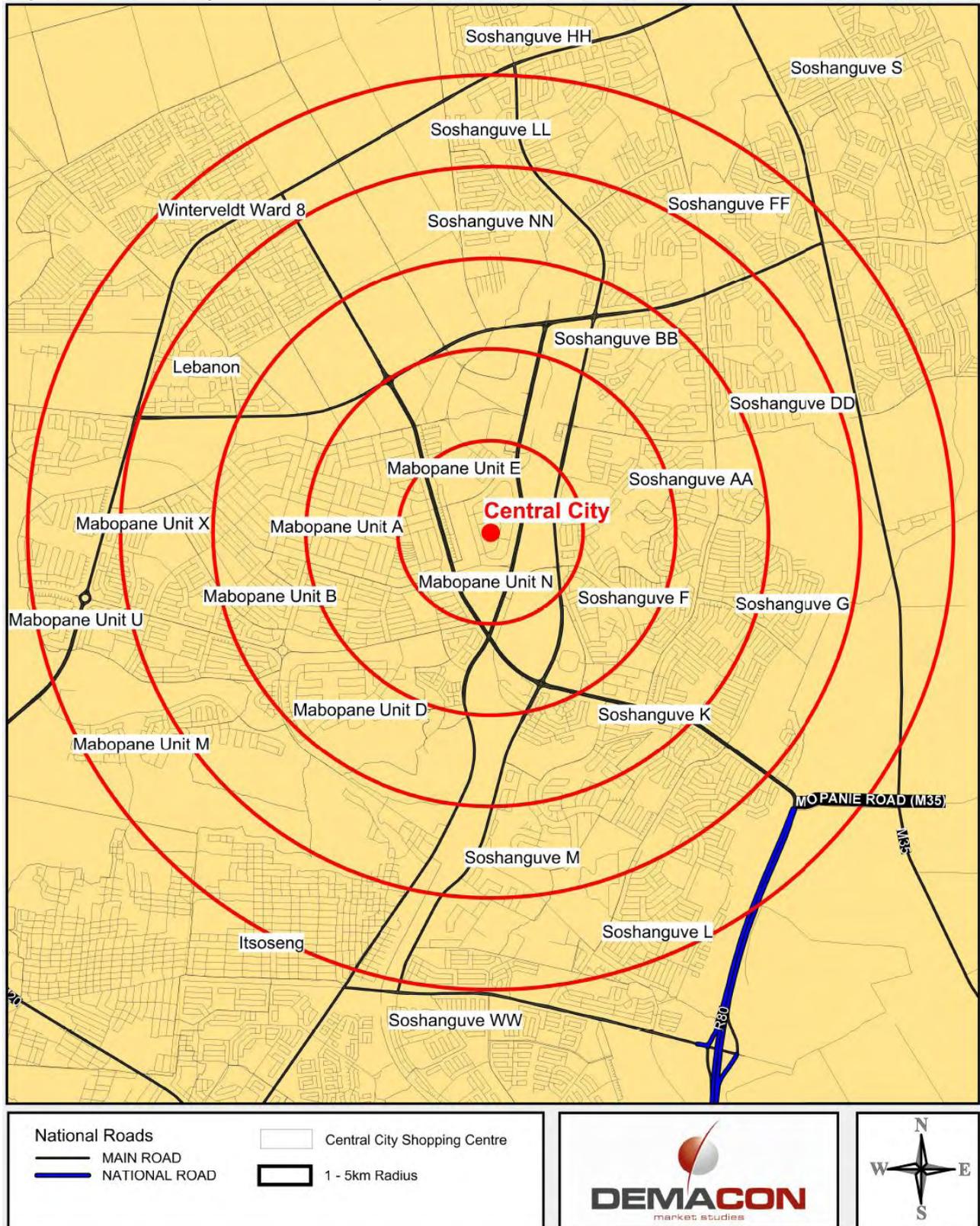
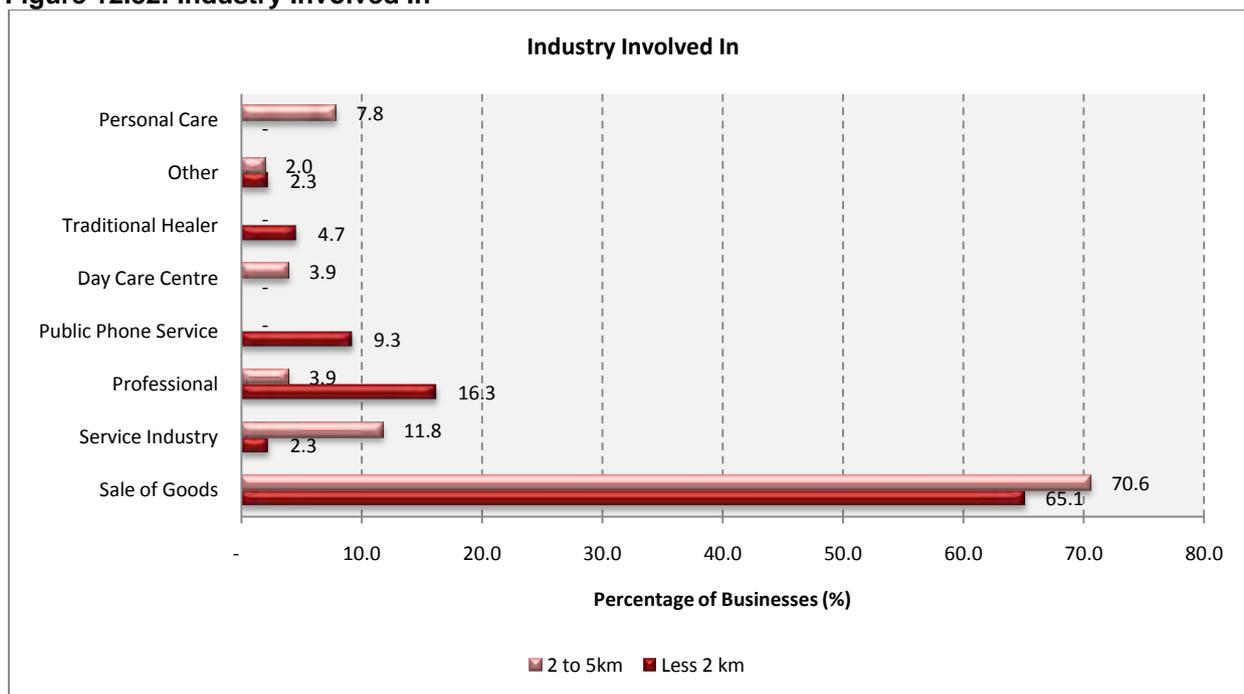


Figure 12.32: Industry Involved In



Source: Demacon Local Business Surveys, 2010

Table 12.6: Main Product and Services

	Less 2km	2 to 5km
1	<b>Fruit &amp; veg</b>	<b>Fruit &amp; veg</b>
2	Groceries	<b>Food</b>
3	<b>Sweets</b>	Cigarettes
4	Public Phones	<b>Bread</b>
5	<b>Food</b>	Bricks
6	<b>Bread</b>	Brooms
7	Airtime	Car Wash
8	Snacks	Liquor
9	Hair Dresser	Cement
10	Pizza	<b>Sweets</b>

Source: Demacon Local Business Surveys, 2010

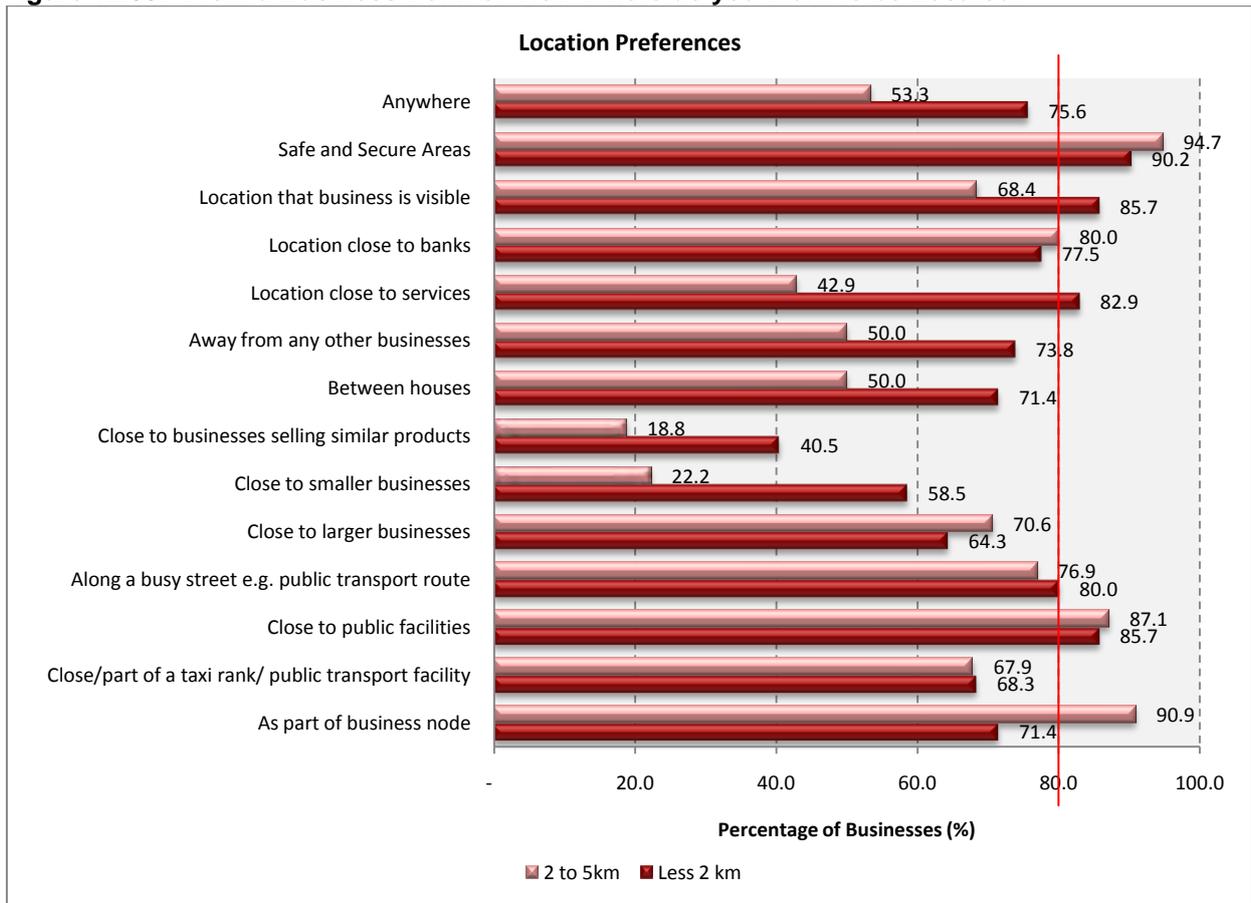
**Findings:** (Figures 12.31 to 12.32 and Table 12.6)

- ✓ The types of businesses surveyed include informal traders, registered and unregistered businesses.
- ✓ The industry they are involved in is largely characterised by the sale of goods for both segments. The market segment within 2km also reflects a moderate representation of professional services, public phone services, traditional healers and service industries. The 2 to 5km market segment also reflects a moderate representation of service industries, personal care, professional and day care services.
- ✓ The main products and services constituting the largest proportion of business income include fruit and vegetables, groceries, food, sweets, cigarettes, public phones, bread, bricks, brooms, airtime, car wash, snacks, liquor, hair dresser, cement and pizza.

**12.4.2 CURRENT LOCATION AND LOCATION REQUIREMENTS**

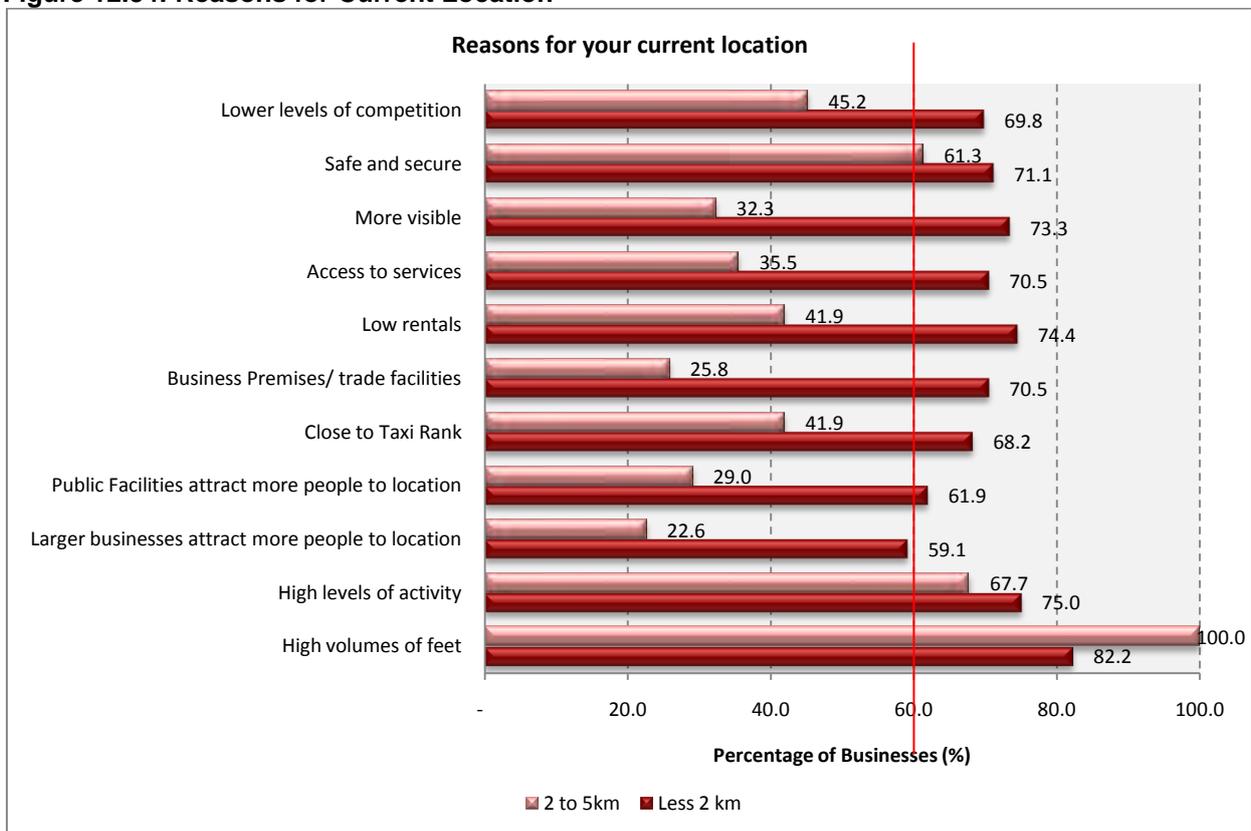
Subsequent paragraphs provide information on preferences regarding business location, reasons for current location, opinions in terms of the advantages of being located in proximity to, or within, formal retail centres and the ability to afford rentals within a formal centre.

Figure 12.33: From a Business Point of View Where do you Want to be Located?



Source: Demacon Local Business Surveys, 2010

Figure 12.34: Reasons for Current Location

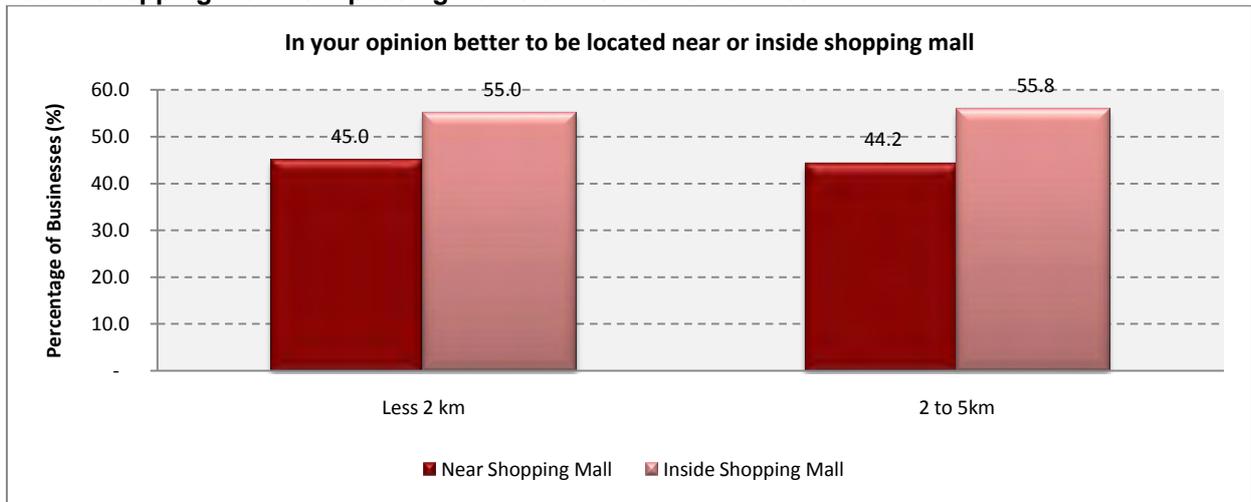


Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.33 and 12.34)

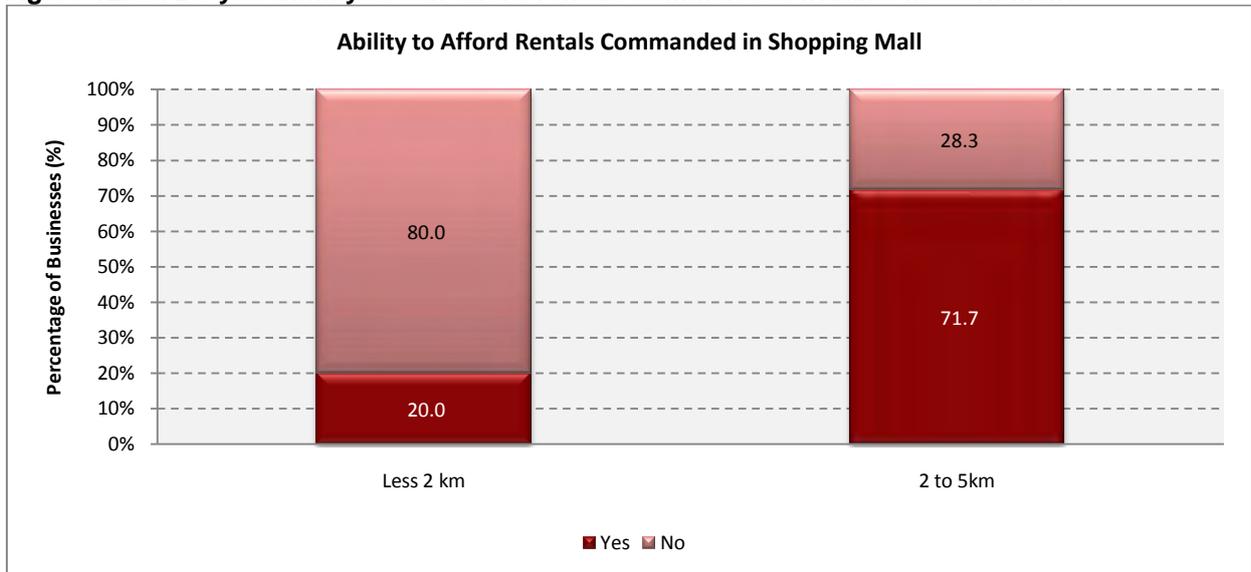
- ✓ In terms of the dominant location preferences it is evident that the following aspects ranked highly: safety and security, being part of a business node, proximity to public facilities, visibility and accessibility, proximity to banks, proximity to services, location along a busy street (public transport route).
- ✓ In terms of reasons underlying their choices of current locations the following prevailed: high foot count/foot traffic, high levels of activity, safety and security, lower levels of competition, lower rentals, proximity to taxi rank, visibility and access to services. Other reasons provided included convenience due to location in proximity of houses, no rentals, trading from home.

**Figure 12.35: Given the Nature of Your Business in your Opinion Would you be better off Situated Near a shopping mall from passing traffic or inside the Mall itself?**



Source: Demacon Local Business Surveys, 2010

**Figure 12.36: Do you think you can afford rentals commanded within a modern mall?**



Source: Demacon Local Business Surveys, 2010

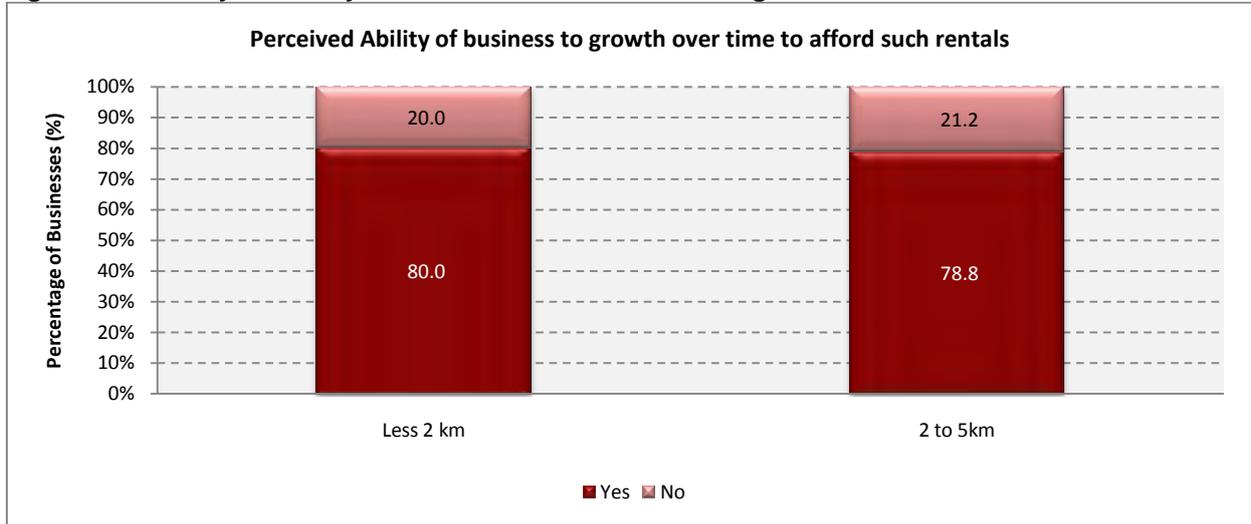
**Findings:** (Figures 12.35 to 12.37)

- ✓ The segment within 2km: the majority indicated that they would prefer location within a shopping mall to being located in proximity to a formal shopping mall. The majority of businesses (80.0%) also indicated that they would not be able to afford mall rentals. The

majority of businesses (80.0%) also indicated that they feel their businesses will be able to growth over time to afford such rentals.

- ✓ The segment between 2 and 5km: the majority preferred a location within a formal retail centre. Approximately 71.7% indicated that they feel they are able to afford the rentals, and the majority – 78.8% - indicated that they do feel that their businesses would mature to be able to afford such rentals.

Figure 12.37: Do you think your business would be able to grow over time to afford such rentals?



Source: Demacon Local Business Surveys, 2010

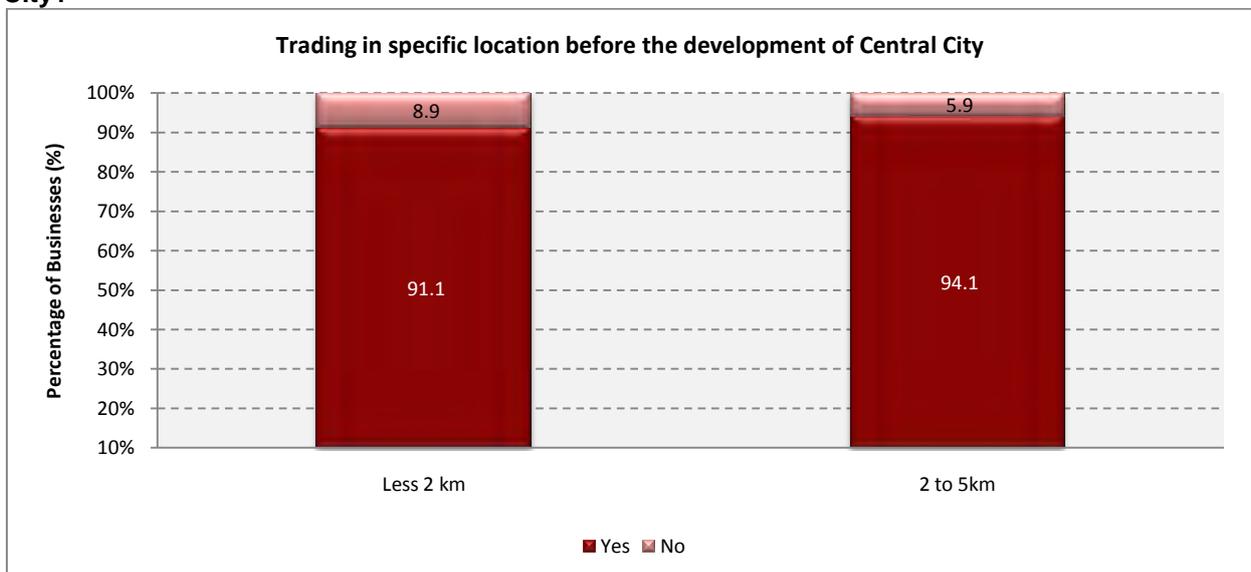
### 12.4.3 PERCEIVED IMPACT OF FORMAL RETAIL CENTRE ON BUSINESS

Subsequent paragraphs provide insight into the impact that the development of the formal retail centre had on the location of the businesses, the impact on the nature of the businesses and the impact on business performance.

#### 12.4.3.1 Perceived Impact on Location

Subsequent paragraphs provide insight into the current location of the businesses and the manner in which the development of Central City impacted on their current location.

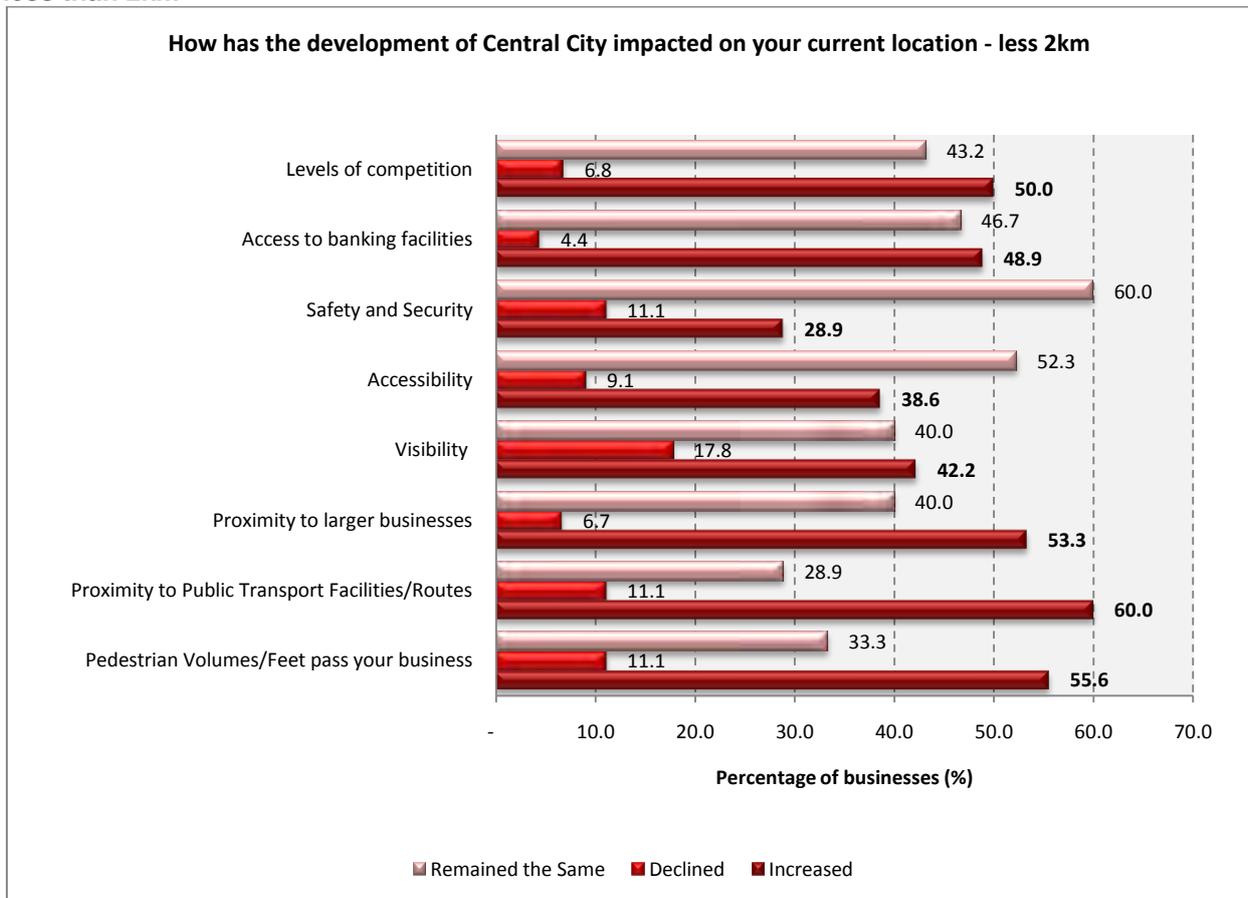
Figure 12.38: Have you been trading in this specific location before the development of Central City?



Source: Demacon Local Business Surveys, 2010

- ✓ The majority of respondents indicated that they had been trading in the same location before the development of Central City.
- ✓ The largest segment of respondents within 2km, who indicated that they relocated after development of Central City, is represented by unregistered entities/sole proprietors (50.0%), followed by an equal segment of registered entities (25.0%) and informal traders (25.0%).
- ✓ The segment of respondents between 2 and 5km reflecting changes in location after Central City are represented only by informal traders.
- ✓ The dominant reasons for changes in location are ascribed to: wanting to be in busier areas, more activity elsewhere, no competition, lower rentals, businesses not being registered and businesses being removed from previous locations.

**Figure 12.39: Perceived Impact of Central City on Current Location With Reference to Following – less than 2km**



Source: Demacon Local Business Surveys, 2010

**Findings: (Figure 12.39)**

Businesses within 2km of Central City indicated the following perceived impacts:

Overall the following increased:

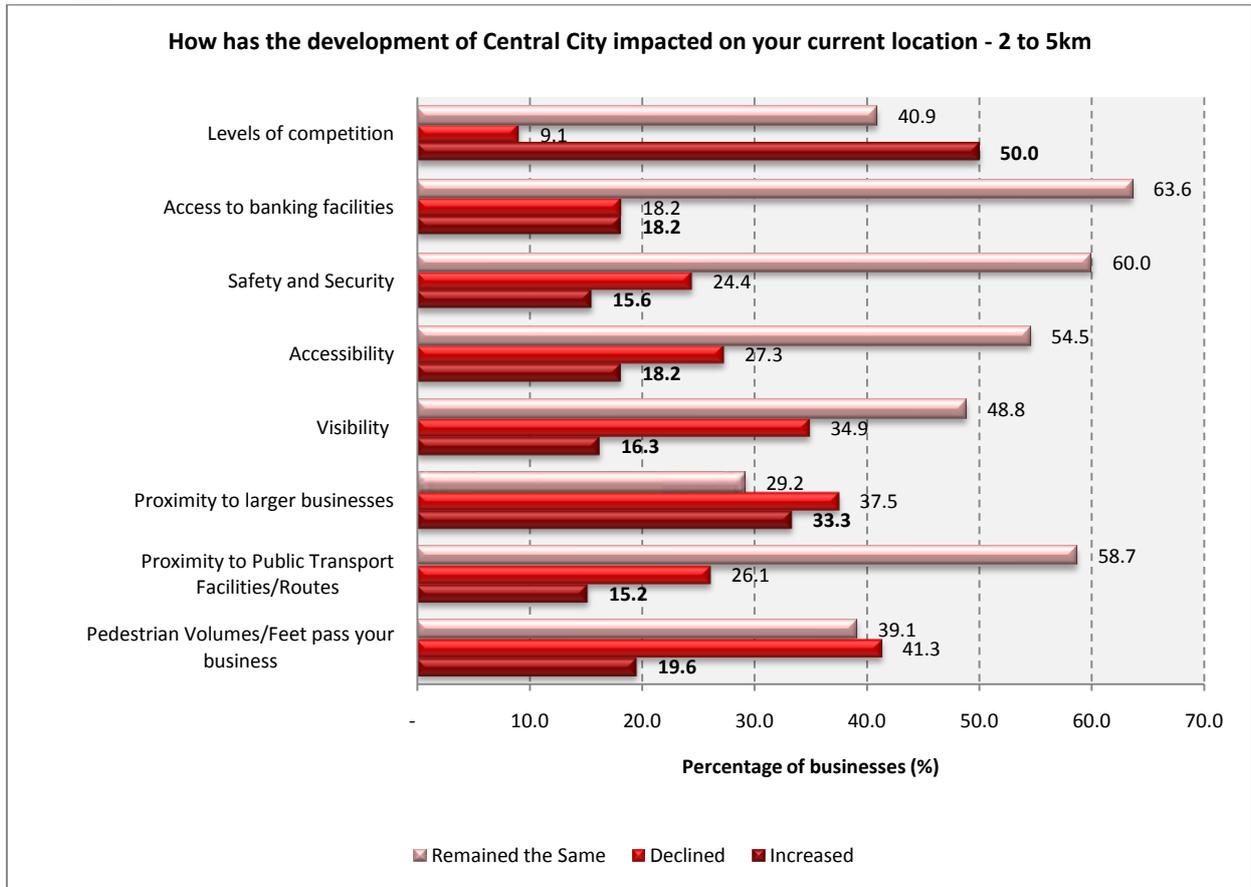
- ✓ Proximity to public transport facilities and routes;
- ✓ Pedestrian volumes/feet past business;
- ✓ Proximity to larger businesses;
- ✓ To a lesser extent levels of competition, access to banking facilities and visibility.

Overall the following remained the same:

- ✓ Safety and security;
- ✓ Accessibility;

✓ To lesser extent levels of competition, access to banking facilities and visibility.

**Figure 12.40: Perceived Impact of Central City on Current Location With Reference to Following – 2 to 5km**



Source: Demacon Local Business Surveys, 2010

**Findings: (Figure 12.40)**

Businesses within 2 to 5km of Central City indicated the following perceived impacts:

Overall the following increased:

✓ Levels of competition.

Overall the following remained the same:

- ✓ Access to banking facilities;
- ✓ Safety and security;
- ✓ Accessibility;
- ✓ Visibility;
- ✓ Proximity to public transport facilities.

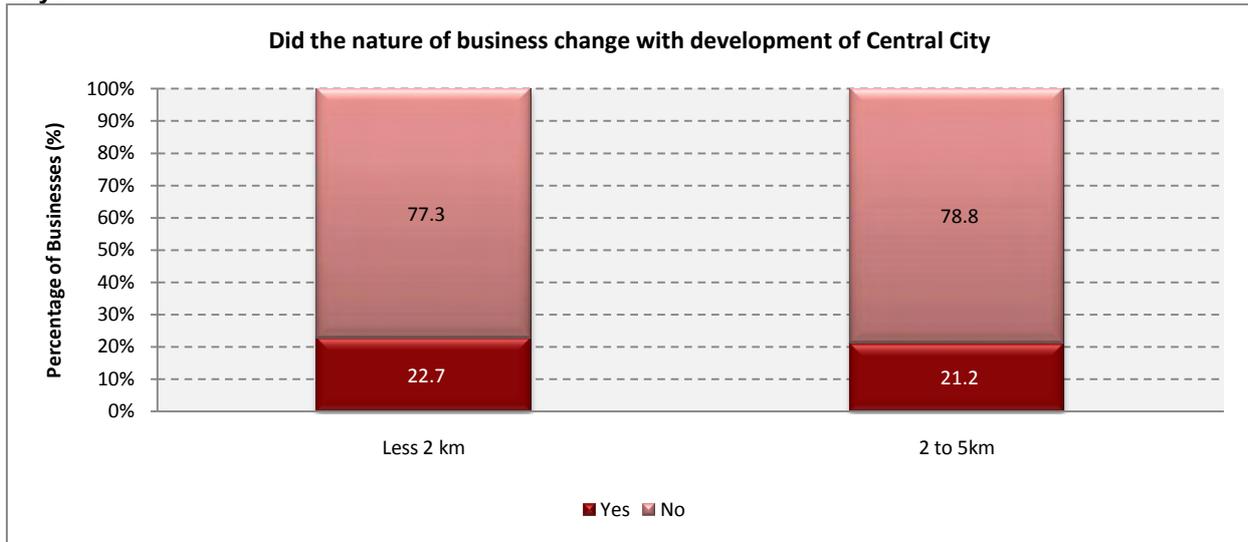
Overall the following declined:

- ✓ Pedestrian volumes/feet past business;
- ✓ Proximity to larger businesses.

**12.4.3.2 Perceived Impact on Nature of Business**

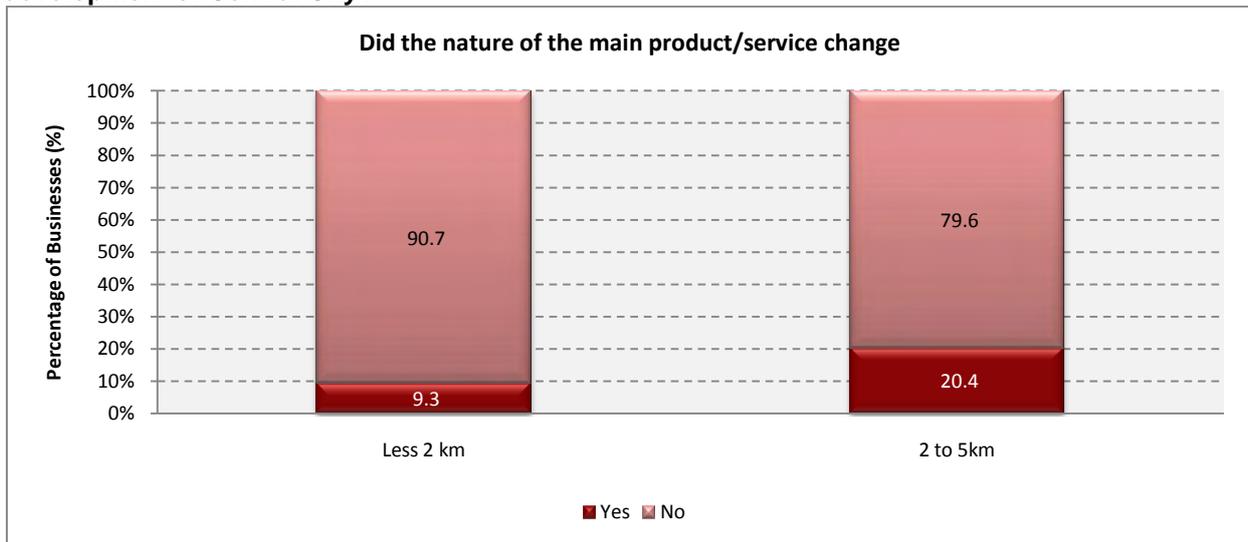
Subsequent paragraphs provide insight into the nature of the business and the impact of the development of Central City thereon.

**Figure 12.41: Did the Nature of your Business change before and after Development of Central City?**



Source: Demacon Local Business Surveys, 2010

**Figure 12.42: Did the nature of the dominant product or service change before and after development of Central City?**



Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.41 and 12.42)**

- ✓ It is evident that a small segment of businesses have experienced a change in the nature of their businesses since the development of Central City – 21.2% to 22.7%. A certain segment of businesses reflected changes due to positive factors – increased customer base, higher levels of activity, increased visibility, easy access to stock, stock discount and proximity to suppliers. The other segment, however, reflected changes due to negative factors such as increased levels of competition.
- ✓ A small segment of responding businesses indicated that a change took place in their dominant products and services. Examples of these changes are listed below:

Before Central City	After Central City
Fruit & veg	Fast foods
Selling Sweets	Now selling in bulk
Fish	Sweets
Hair dos only	Hair products

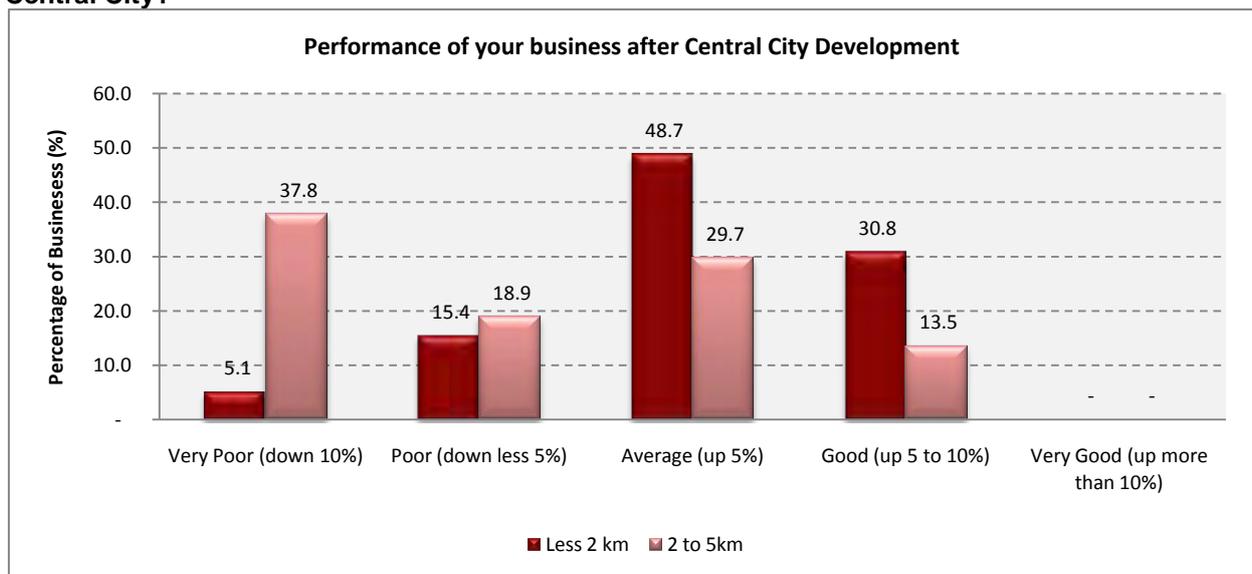
The dominant reasons for these changes include:

- ✓ Increased access to services;
- ✓ Availability of stock;
- ✓ Increased pressure from competing larger businesses;
- ✓ Increased pedestrian volumes;
- ✓ Poor product performance;
- ✓ Loss of income;
- ✓ High level of competition;
- ✓ Price competitiveness;
- ✓ Improved product quality;
- ✓ Development of surrounding area.

### 12.4.3.3 Perceived Impact on Business Performance

Subsequent paragraphs provide an indication of the impact that the development of Central City had on local business performance in terms of consumer volumes, stock movement, product range, turnover, profits and employment. An overall perceived impact of the development of Central City on the local business environment was also indicated, as well as linkages to Central City.

**Figure 12.43: How would you Measure the Performance of Your Business after development of Central City?**

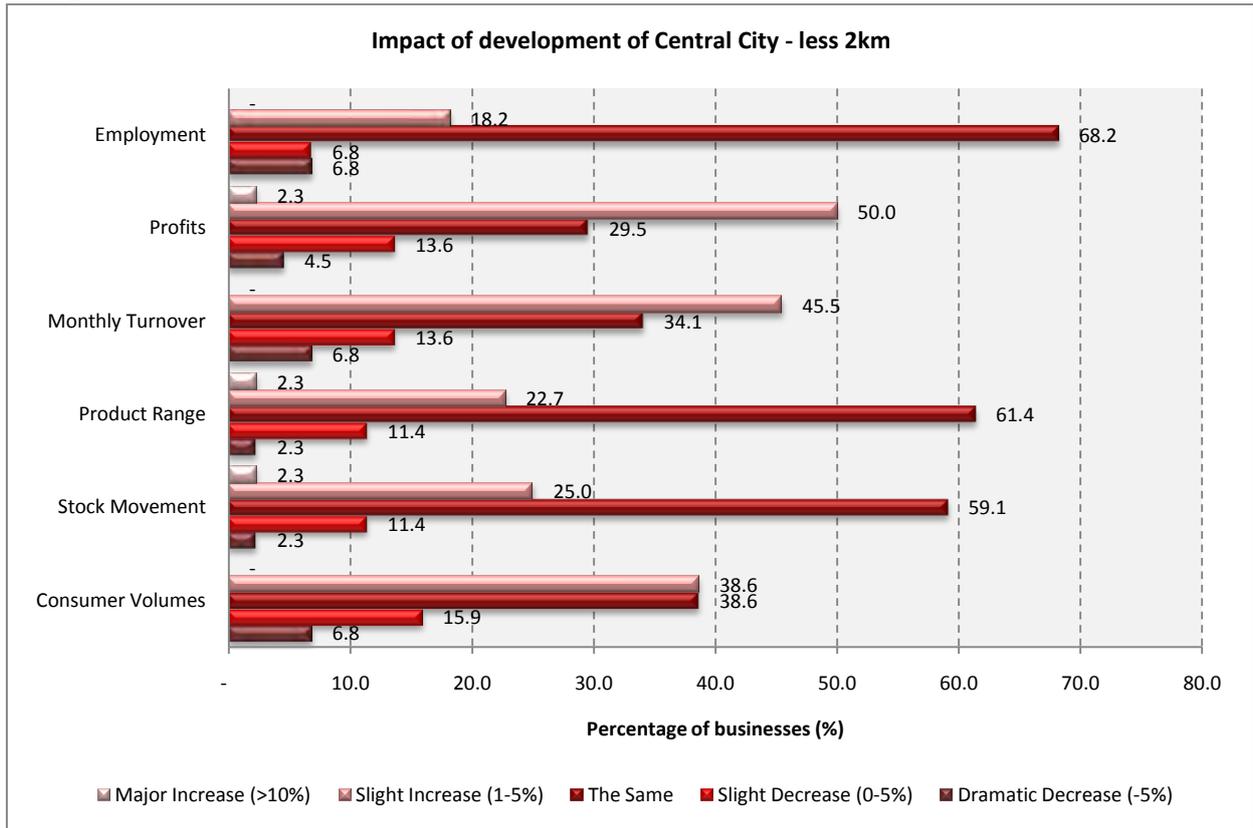


Source: Demacon Local Business Surveys, 2010

#### Findings: (Figure 12.43)

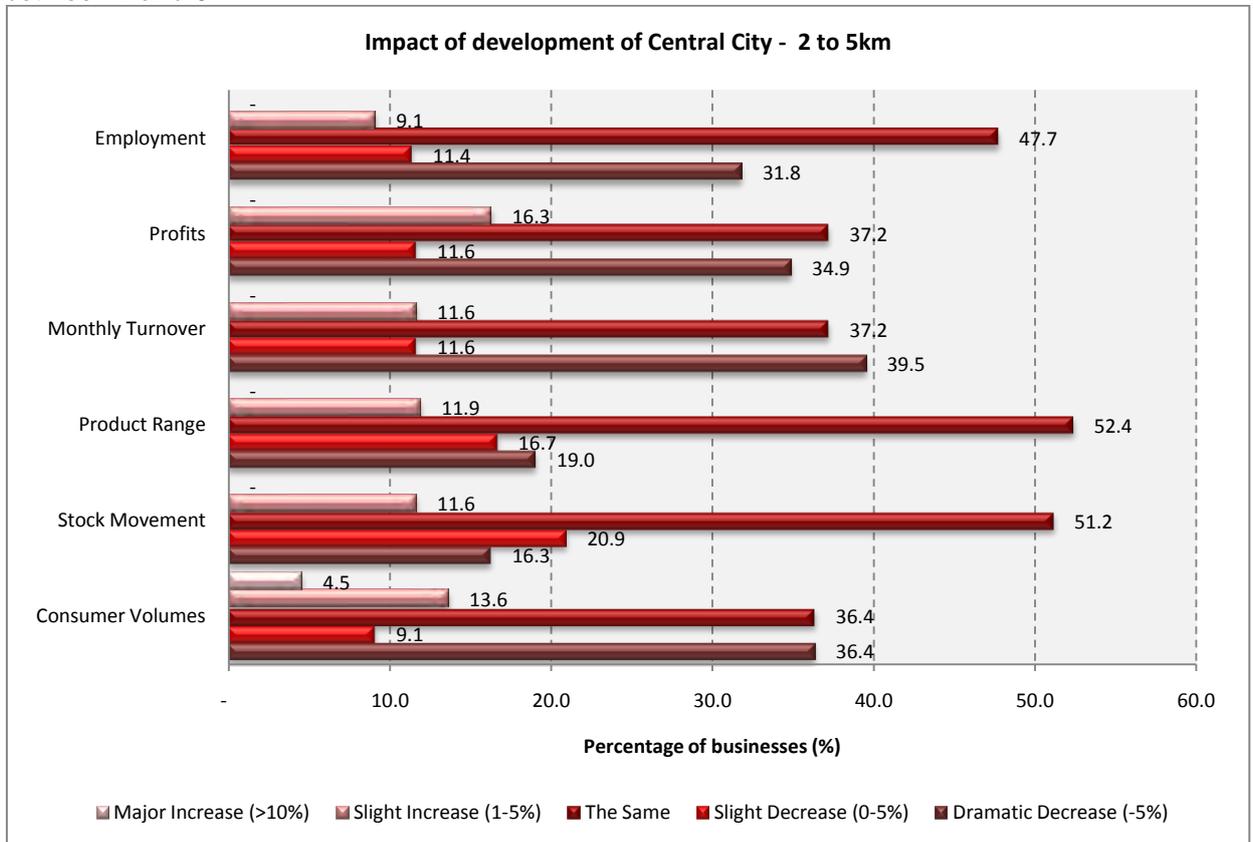
- ✓ Segment within 2km: the majority of businesses indicated average performance (up 5%), supported by a relatively large segment of 30.8% indicating good business performance (up between 5% and 10%), a moderately small segment of 20.5% indicated a decline in their business performance.
- ✓ Segment between 2 and 5km: the larger proportion of businesses – 56.7% - reflected a poor business performance, 29.7% indicated average business performance (up 5%) and 13.5% indicated good business performance (up between 5 and 10%).

Figure 12.44: Perceived impact on business performance after Central City Development – less than 2km



Source: Demacon Local Business Surveys, 2010

Figure 12.45: Perceived impact on business performance after Central City Development – between 2 and 5km



Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.44 and 12.45)

Overall, the following was found:

- ✓ Employment: the majority of businesses indicated that employment remained the same.
- ✓ Profit: the larger segment reflected a slight increase in profit (50.0%), supported by 29.5% indicating that it remained the same.
- ✓ Monthly turnover: the larger segment reflected a slight increase – 45.5%, supported by 34.1% of respondents who indicated that it remained the same.
- ✓ Product range: the majority of respondents indicated that it remained the same – 61.4%, with 22.7% indicating a slight increase.
- ✓ Stock movement: the majority of respondents indicated that it remained the same – 59.1%, with 25.0% indicating a slight increase.
- ✓ Consumer volumes: an even share of businesses indicated a slight increase /stability in consumer volumes.

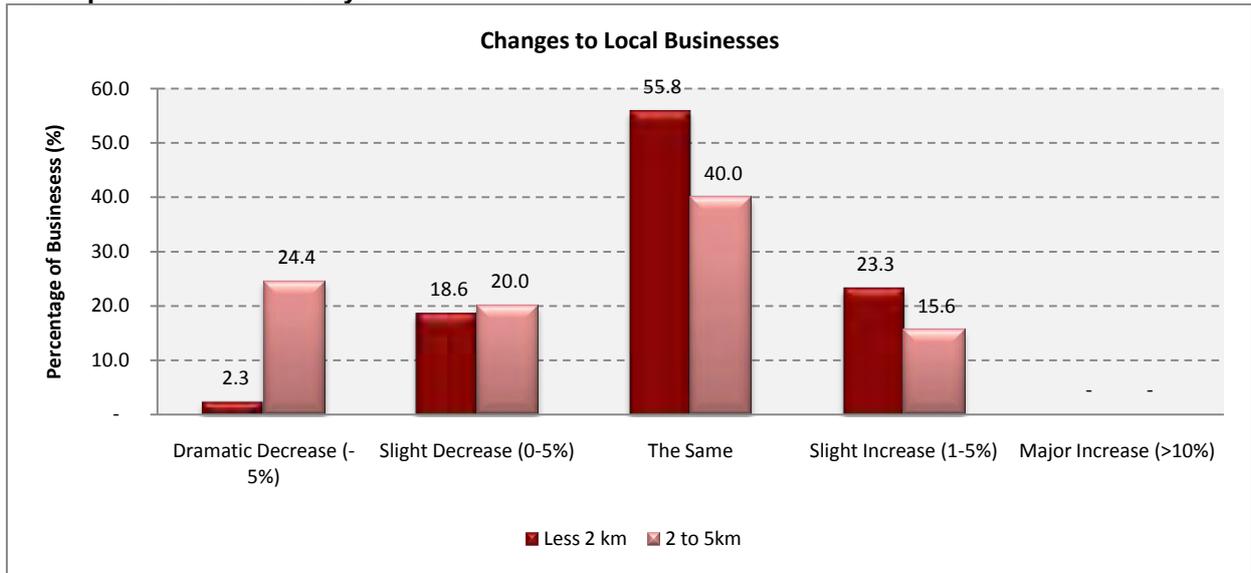
Overall, the following was found:

- ✓ Employment: the majority of businesses reflected that employment remained the same – 47.7%, supported by 31.8% indicating a dramatic decrease.
- ✓ Profit: the larger segment indicated that it remained the same – 37.2%, while 34.9% indicated a dramatic decrease.
- ✓ Monthly turnover: the larger segment indicated a drastic decrease – 39.5%, while 37.2% indicated that it remained the same.
- ✓ Product range: the larger segment indicated that it remained the same – 52.4%, and 19.0% indicated a dramatic decrease.
- ✓ Stock movement: the majority of respondents indicated that it remained the same – 51.2%, but 20.9% indicated slight decrease.
- ✓ Consumer volumes – evenly sized business segments indicated that consumer volumes decreased dramatically/ remained the same – 36.4% respectively.

Respondents also listed a number of factors affecting their business performance besides the development of Central City:

- ✓ Crime and stock theft;
- ✓ High levels of competition;
- ✓ Expensiveness of stock;
- ✓ New road construction;
- ✓ Staff retrenchment;
- ✓ Lack of business skills;
- ✓ Lack of proper business planning;
- ✓ Poor business management;
- ✓ Lack of business support;
- ✓ Slow stock movement;
- ✓ Poor product branding.

Figure 12.46: What have you perceived with regard to local businesses in the areas with the development of Central City?

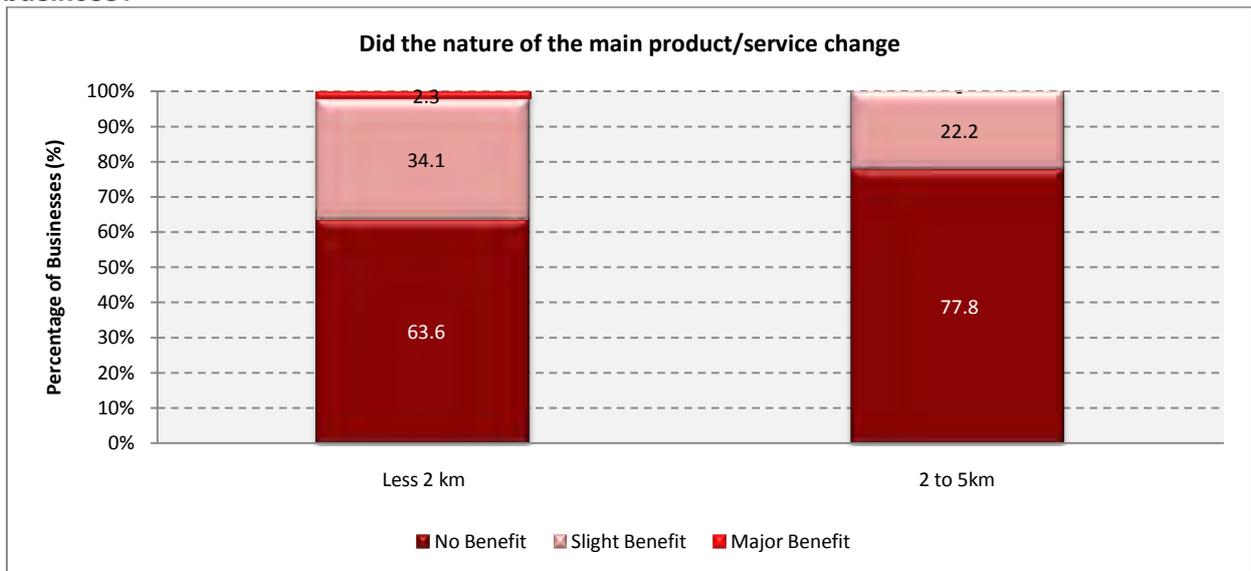


Source: Demacon Local Business Surveys, 2010

**Findings: (Figure 12.46)**

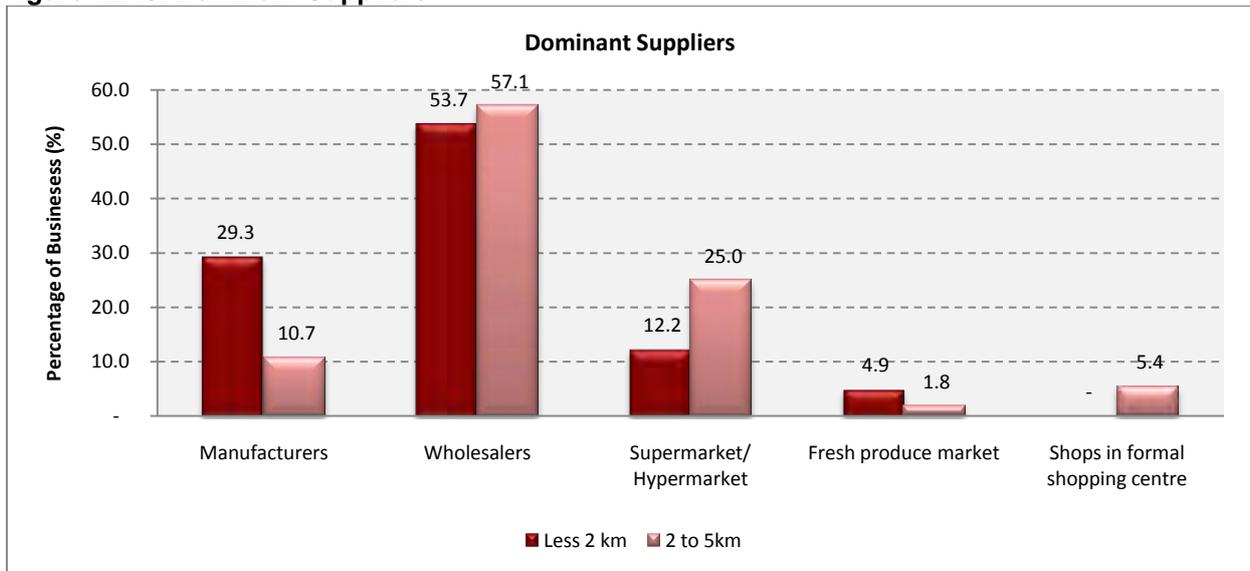
- ✓ In terms of the segment within 2km of Central City: 55.8% indicated that local business in the area remained the same, 23.3% indicated a slight increase in local businesses, 18.6% indicated a slight decrease and 2.3% indicated a dramatic decrease of local businesses and traders.
- ✓ The segment between 2 and 5km from Central City: the larger segment of respondents indicated that everything remained the same – 40.0%, 24.4% indicated a dramatic decrease, 20.0% indicated a slight decrease and 15.6% indicated a slight increase in businesses and traders.

Figure 2.47: In general would you say that the development of Central City has benefited your business?



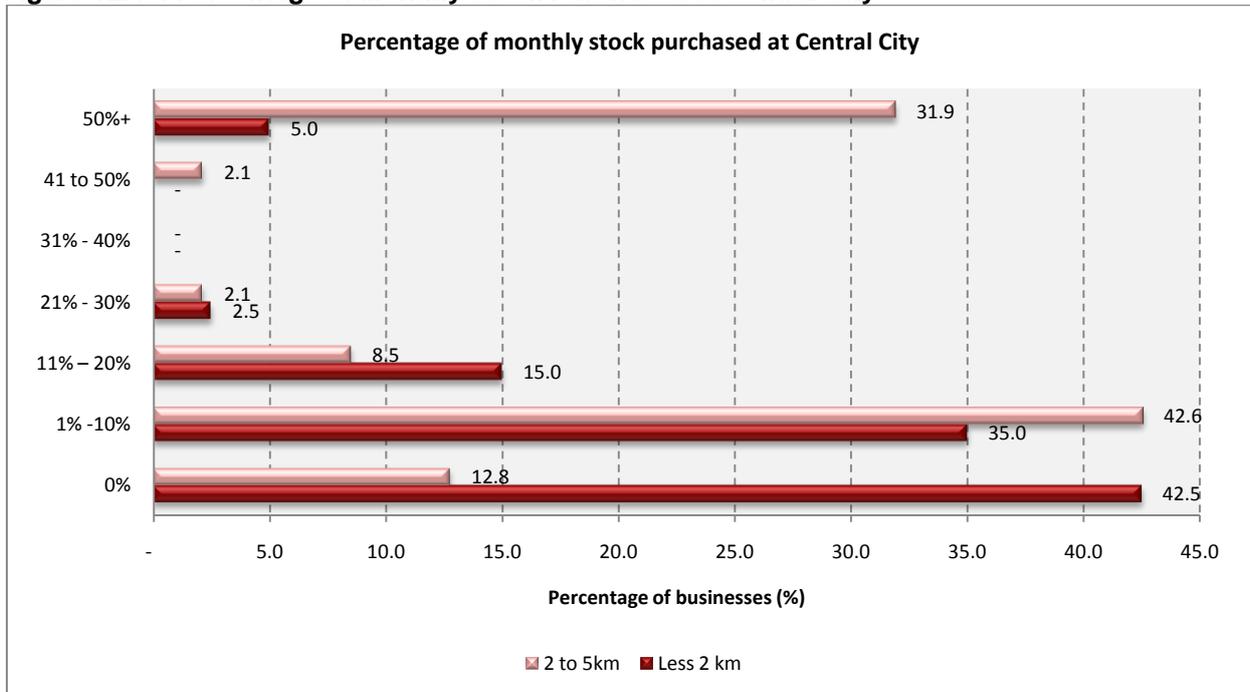
Source: Demacon Local Business Surveys, 2010

Figure 12.48: Dominant Suppliers



Source: Demacon Local Business Surveys, 2010

Figure 12.49: Percentage of Monthly Stock Purchased at Central City



Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.47 to 12.49)**

- ✓ In terms of the segment within 2km: 63.6% of the respondents indicated that the development of Central City had no benefit for their business, 34.1% indicated a slight benefit and 2.3% indicated major benefits.
- ✓ In terms of the segment between 2 and 5km – the larger segment of 77.8% indicated no benefits and 22.2% indicated a slight benefit.
- ✓ In general the benefits resulted from: increased consumer volumes, increased passing traffic, increased sales, proximity to suppliers, improved visibility, accessibility and proximity to banking facilities.

- ✓ In general, the dominant suppliers are represented by wholesalers, manufacturers and supermarkets/hypermarkets.
- ✓ It is interesting to note that the local businesses in closer proximity to Central City purchase lower percentages of monthly stock from the mall. The average weighted percentage of monthly stock purchased at Central City amounts to 7.5% for businesses within 2km and 22.5% for businesses located between 2 and 5km from the mall.

**12.4.4 BUSINESS PROBLEMS AND REQUIRED SUPPORT**

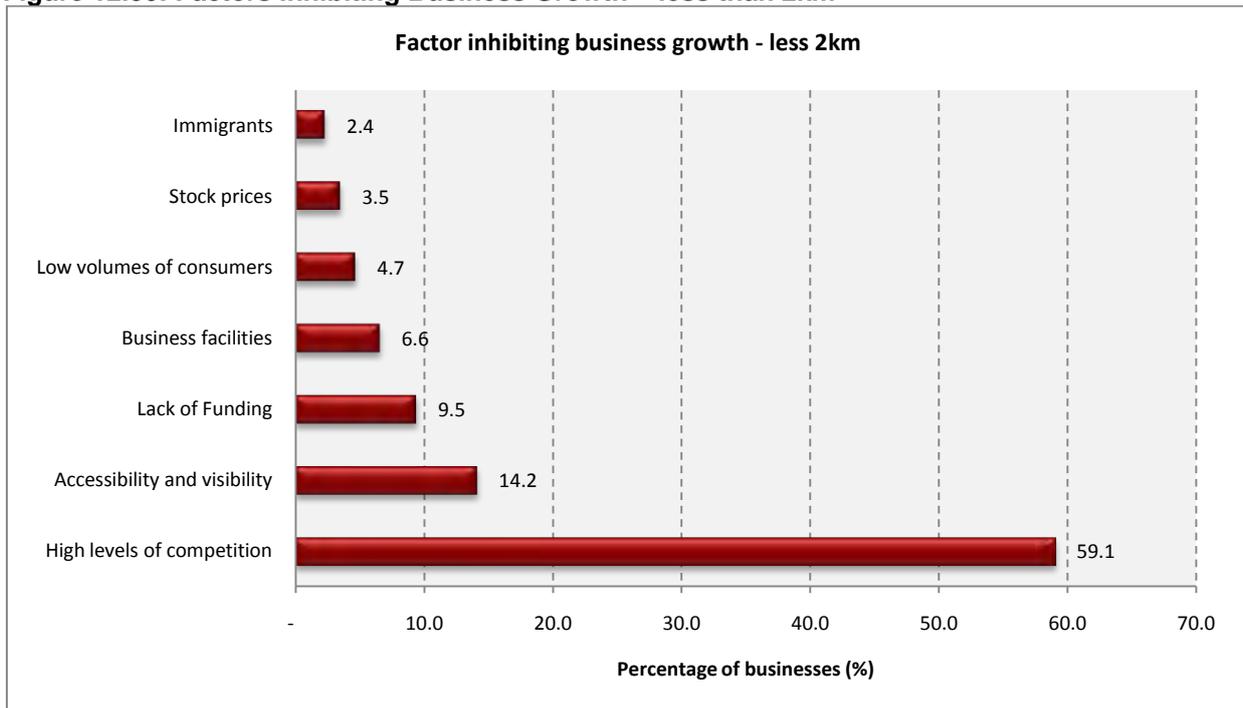
**Table 12.7: Factors inhibiting your business from relocating to a formal retail centre such as Central City**

Less 2 km	2 to 5km
1. Lack of customers	1. Lack of funding
2. Lack of funding	2. Lack of business education
3. Product recognition	3. High rentals
4. Low profit margins	4. Nature of business
	5. Inability to compete with nationals

Source: Demacon Local Business Surveys, 2010

It is evident from Table 12.7 that the dominant factors inhibiting businesses from moving to formal retail centres are: a lack of customers, lack of business funding, product recognition, informal nature of the business, high rentals, limited business growth, poor business performance, lack of business education and the inability to compete with national tenants.

**Figure 12.50: Factors Inhibiting Business Growth – less than 2km**

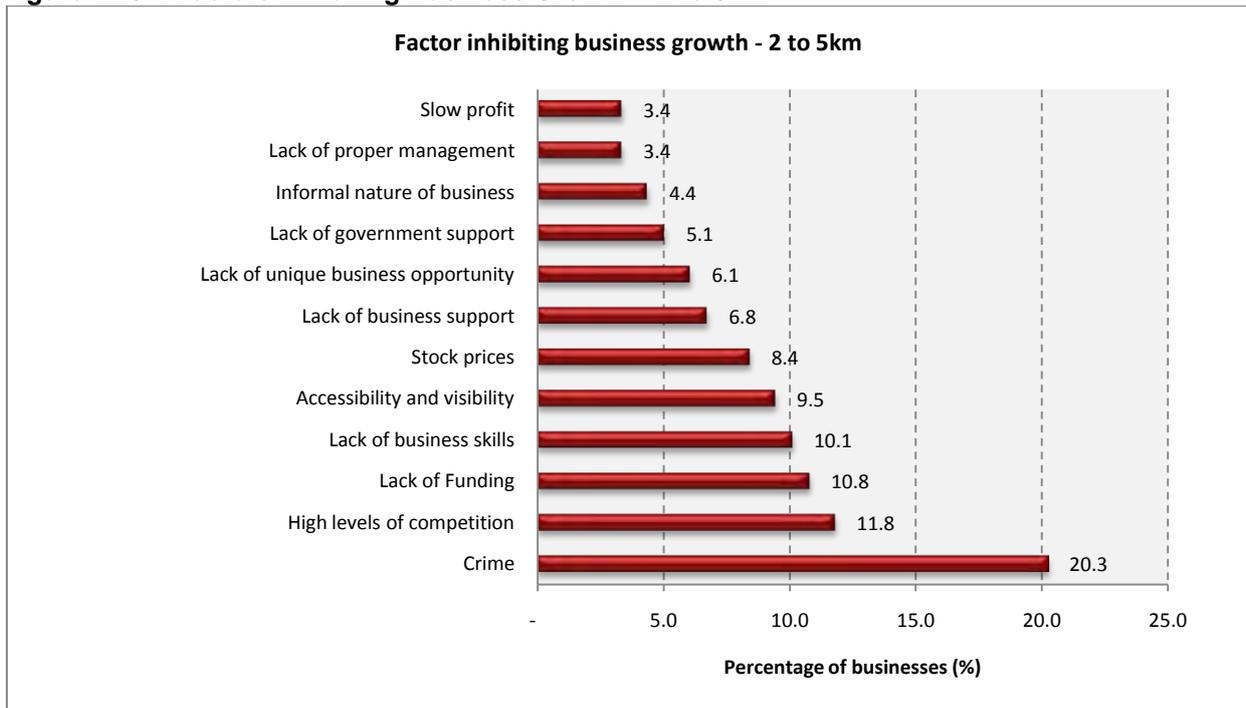


Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.50 and 12.51)**

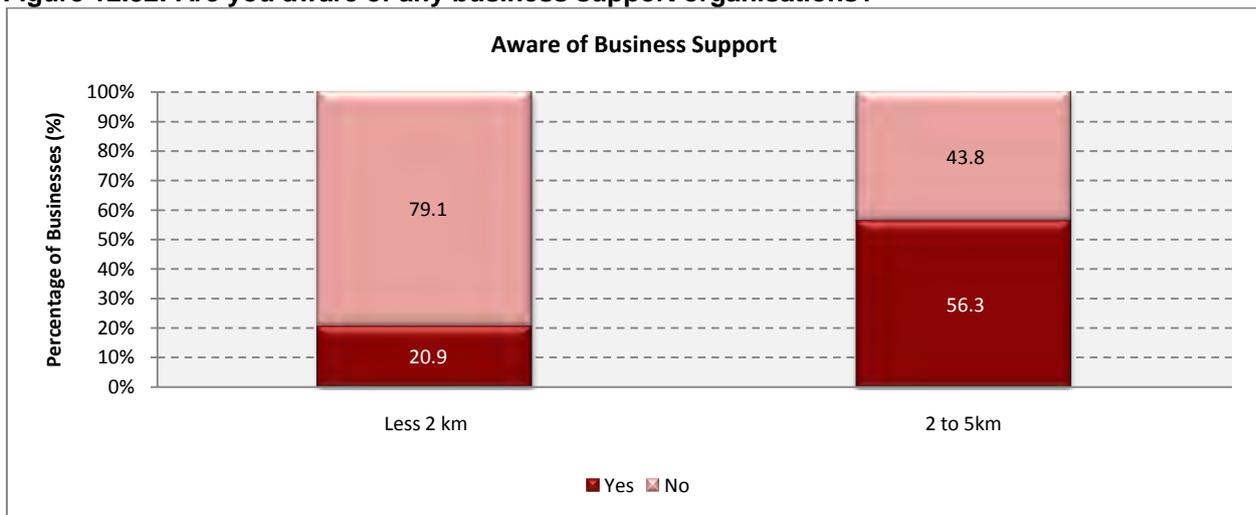
In general, the dominant factors inhibiting local business growth include: high levels of competition, crime, access and visibility, lack of funding, business facilities, lack of business skills, low consumer volumes, stock prices, illegal immigrants, lack of business support, lack of government support, informal nature of business, lack of proper management and slow profit.

Figure 12.51: Factors Inhibiting Business Growth – 2 to 5km



Source: Demacon Local Business Surveys, 2010

Figure 12.52: Are you aware of any business support organisations?

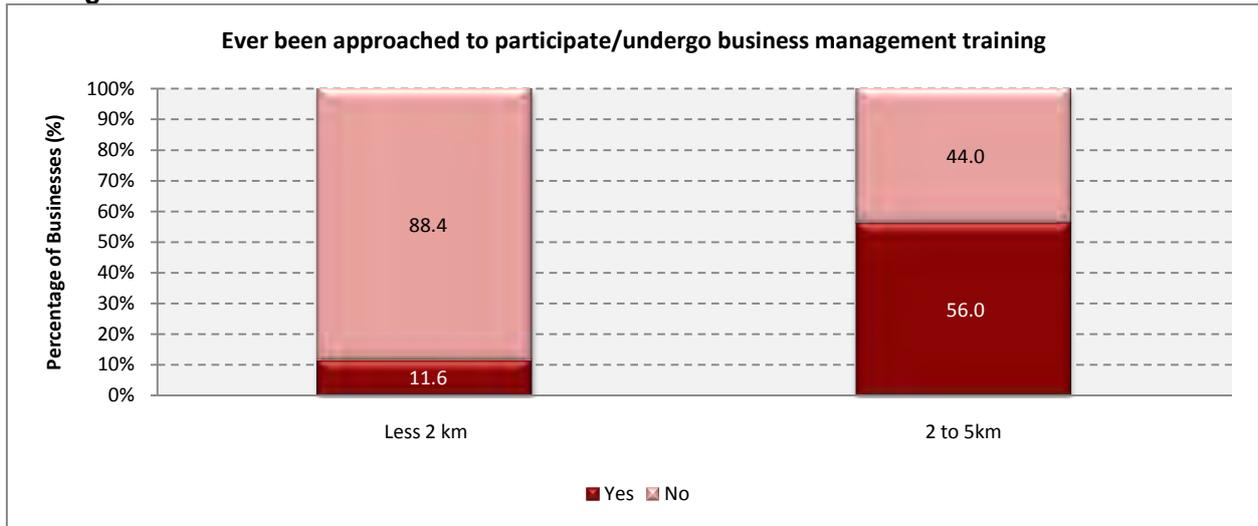


Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.52 and 12.54)

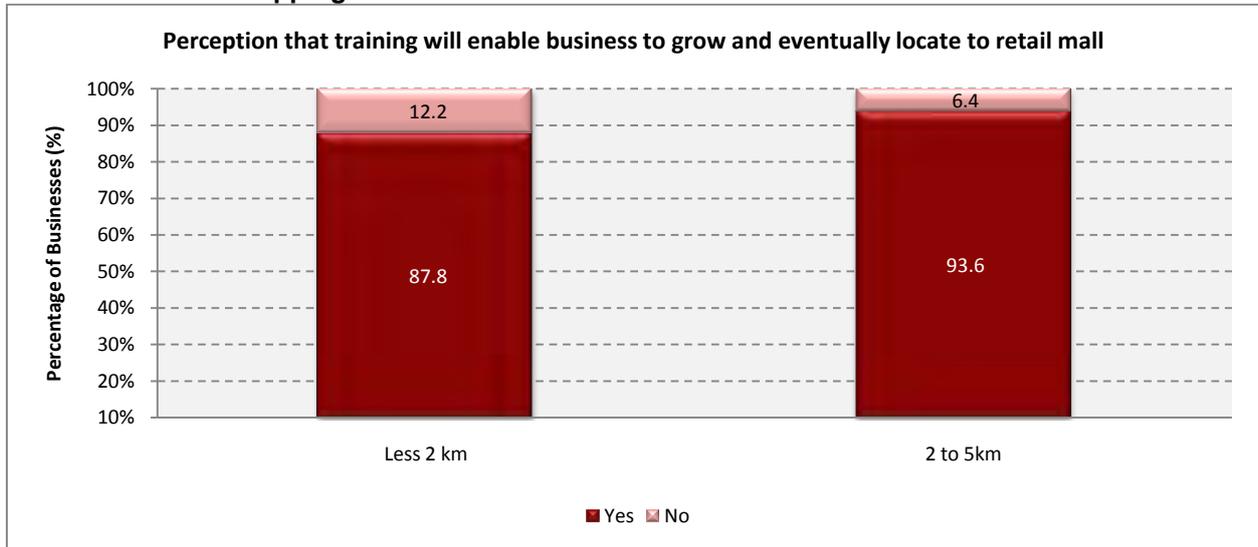
- ✓ A moderate segment of local businesses are aware of business support organisations – 20.9% within 2km and 56.3% between 2 and 5km.
- ✓ A relatively small number of local businesses within 2km from Central City have been approached to participate in or undergo business training – 11.6% compared with the 56.0% between 2 and 5km from Central City
- ✓ The majority of local businesses believe that this type of training that it would enable their businesses to grow and would enable them to relocate to formal retail centres such as Central City.

**Figure 12.53: Have you ever been approached to participate in or undergo business management training?**



Source: Demacon Local Business Surveys, 2010

**Figure 12.54: Do you believe such training would enable your business to grow and eventually locate to modern shopping mall?**



Source: Demacon Local Business Surveys, 2010

**Figure 12.55: Would you accept such training if it were offered?**



Source: Demacon Local Business Surveys, 2010

It is also evident that the majority of these local businesses indicated that they would accept training if it were offered – 93.3% to 97.6%.

Local businesses also ranked their business support requirements – as indicated in Table 12.8.

**Table 12.8: Ranking of Business Support Requirements**

	1	2	3	4	5	
<b>Segment – less 2km</b>						
Financial support	2.4	-	17.1	17.1	63.4	100
General business skills training	2.4	-	19.5	22.0	56.1	100
Legal advice	2.4	2.4	12.2	29.3	53.7	100
Business planning advice	2.4	-	14.6	34.1	48.8	100
Marketing assistance	2.4	-	17.1	31.7	48.8	100
Produce research and information	2.4	-	9.8	39.0	48.8	100
Communication assistance	2.4	4.9	2.4	41.5	48.8	100
Technical assistance	2.4	4.9	4.9	34.1	53.7	100
Networking forums	2.4	4.9	4.9	34.1	53.7	100
Physical facilities	2.4	2.4	4.9	34.1	56.1	100
<b>Segment –2 to 5km</b>						
Financial support	-	2.3	2.3	11.6	83.7	100
General business skills training	-	-	4.9	12.2	82.9	100
Legal advice	-	-	12.2	14.6	73.2	100
Business planning advice	-	2.4	4.8	11.9	81.0	100
Marketing assistance	-	2.4	4.8	16.7	76.2	100
Produce research and information	-	-	10.0	17.5	72.5	100
Communication assistance	-	2.4	11.9	14.3	71.4	100
Technical assistance	-	4.9	9.8	17.1	68.3	100
Networking forums	-	2.4	11.9	16.7	69.0	100
Physical facilities	-	4.8	14.3	9.5	71.4	100

Source: Demacon Local Business Surveys, 2010

Overall, the following business support requirements are evident:

- ✓ Segment within 2km: financial support, general business skills, physical facilities, legal advice, technical assistance, networking forums, business planning advice, marketing assistance, communication assistance and product research and information.
- ✓ Segment between 2 and 5km: financial support, general business skills training, business planning advice, marketing assistance, legal advice, product research and information, physical facilities, communication assistance, networking forums, technical assistance.

#### 12.4.5 BUSINESS OWNER AND BUSINESS INFORMATION

Subsequent paragraphs provide background information on the business owner in terms of racial profile, gender profile, age profile, highest level of education, business training, previous work experience, reasons for starting a business. They also provide information pertaining to the business itself - age of the business, number of employees, access to facilities and services, business planning, bank products and average monthly business turnover.

**Table 12.9: Business Owner Information**

	Less 2 km	2 to 5km
<b>Racial Profile</b>		
Black	97.7	96.2
Coloured	-	3.8
Indian/Asian	2.3	-
White	-	-
<b>Gender Profile</b>		
Male	70.7	74.0
Female	29.3	26.0
<b>Age Profile</b>		
16-24 yrs	2.3	15.7
25 -34 yrs	20.9	31.4
35 – 49 yrs	48.8	27.5
50yrs+	27.9	25.5

	Less 2 km	2 to 5km
<b>Highest Level of Education</b>		
No schooling	20.9	2.0
Primary	7.0	6.0
Some secondary	<b>44.2</b>	<b>40.0</b>
Matric	<b>23.3</b>	<b>46.0</b>
Post matric qualification	2.3	2.0
Bachelors degree	2.3	2.0
Any post graduate degree	-	2.0
<b>Any form of Business Training</b>		
Yes	<b>29.3</b>	<b>28.3</b>
No	70.7	71.7
<b>Where were Skills Learned</b>		
Self taught	<b>76.7</b>	<b>64.0</b>
Family	16.3	6.0
Previous job	2.3	8.0
Training programme	2.3	12.0
Mentor/advisor	-	6.0
Tertiary institution	2.3	4.0
<b>Previous Work Experience</b>		
None	<b>48.8</b>	<b>35.3</b>
1 Year	-	11.8
2 Years	9.3	15.7
3 Years	7.0	7.8
5 Years	11.6	9.8
10 Years	11.6	3.9
10 Years+	11.6	15.7
<b>Motivation for Starting Own Business</b>		
Wanted to own business	<b>62.8</b>	<b>44.9</b>
Couldn't find another job	4.7	18.4
Was retrenched	-	12.2
For survival/income purposes	18.6	24.5
Business was inherited	7.0	-
Religious regions	7.0	-

Source: Demacon Local Business Surveys, 2010

### Findings: (Table 12.9)

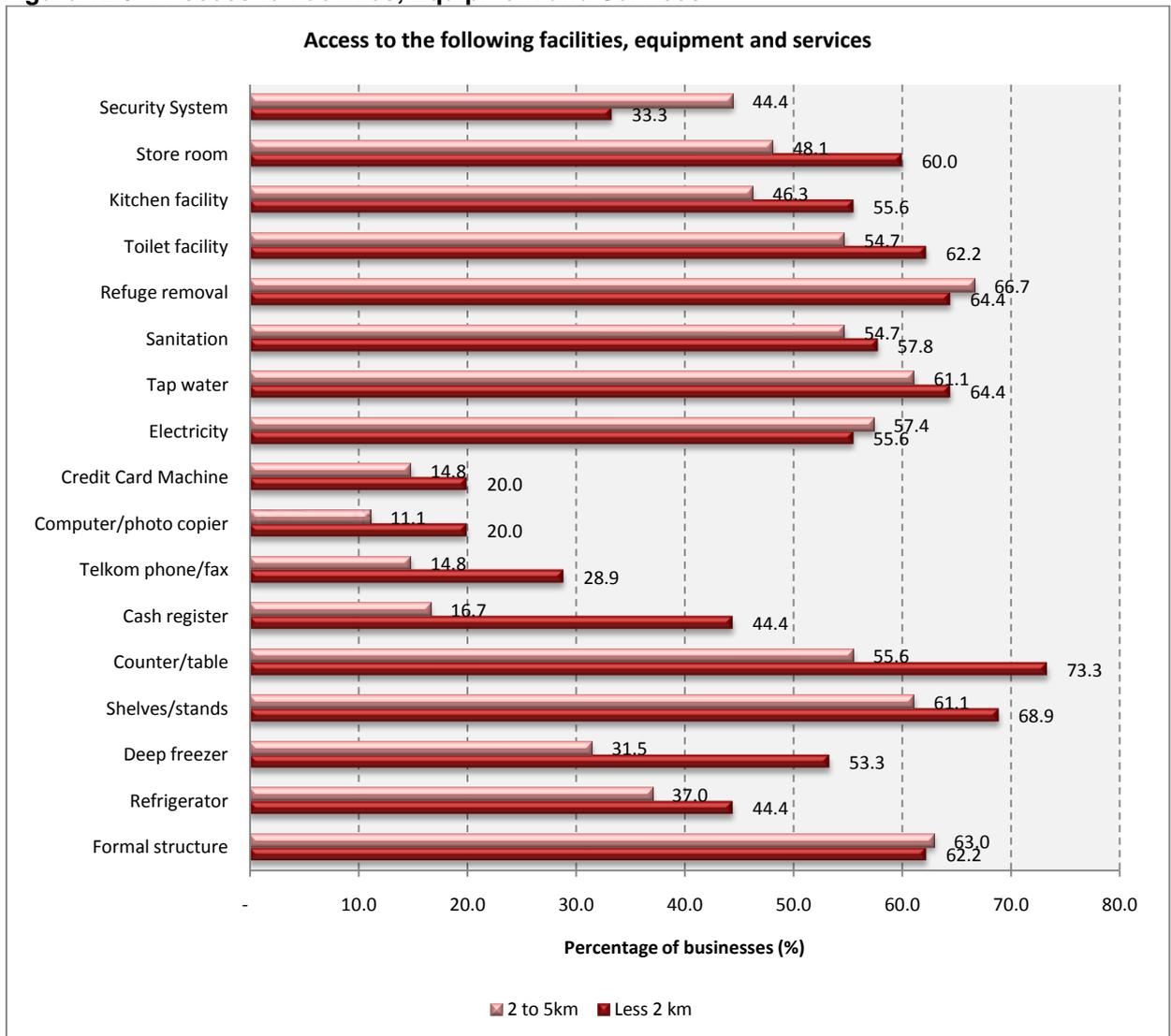
- ✓ Business owners in general represent African black males between the ages of 25 and 49 years.
- ✓ The largest segment of business owners reflected highest education levels of some secondary and matric levels (4.6% to 6.0% indicated post matric education levels).
- ✓ A small segment of business owners have some form of business training – 28.3% to 29.3%.
- ✓ Skills are mainly self-taught, or learned from family members and, to a lesser extent, through training programmes.
- ✓ A relatively large segment of business owners have no previous work experience - 48.8% to 35.3%, 27.9% to 45.1% of business owners have less than five years work experience and 19.6% to 23.3% have more than ten years previous work experience.
- ✓ The dominant motivation for starting their own business is wanting to own their own business and needing to do so for survival purposes.

Figure 12.56: Ownership of Business Premises



Source: Demacon Local Business Surveys, 2010

Figure 12.57: Access to Facilities, Equipment and Services

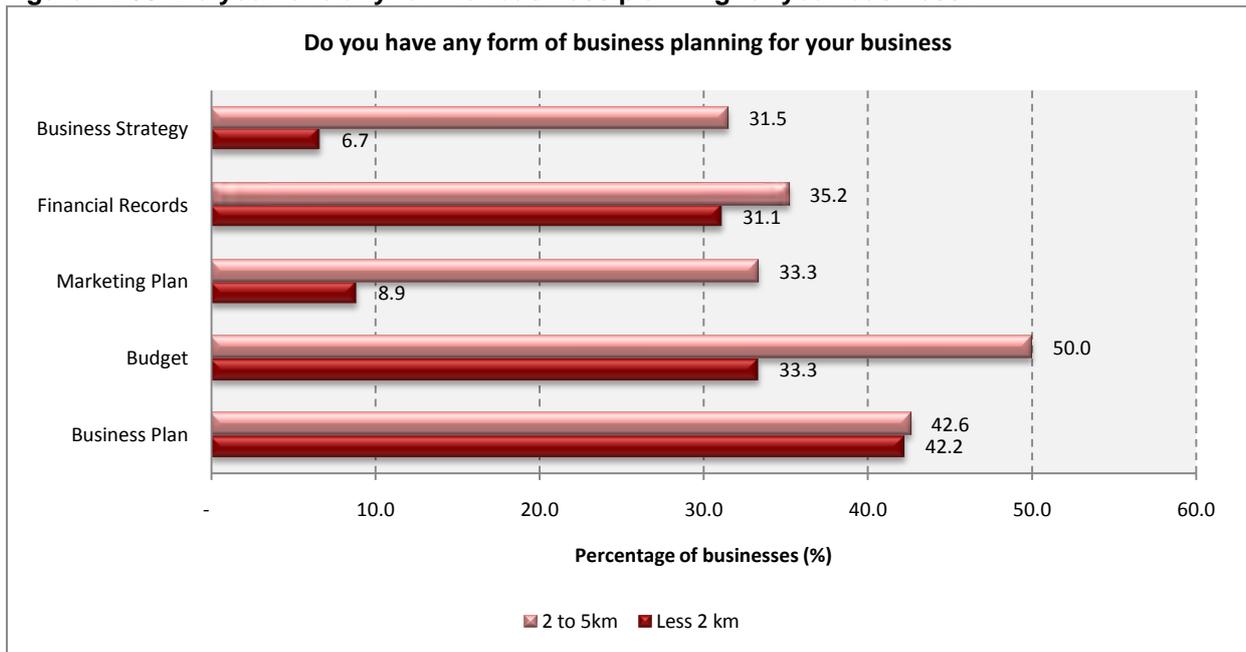


Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.56 and 12.57)

- ✓ The larger segment of local businesses own their business premises, followed by medium sized segment renting premises and a small segment occupying premises without paying rentals.
- ✓ In general, businesses have access to at least the following:
  - Segment within 2km: counter/table, shelves/stand, tap water, refuse removal, formal structure, toilet facility, storeroom/store facilities, sanitation and electricity.
  - Segment between 2 and 5km – refuse removal, formal structure, shelves/stands, tap water, electricity, counter/table, sanitation and toilet facility.

**Figure 12.58: Do you have any form of business planning for your business?**

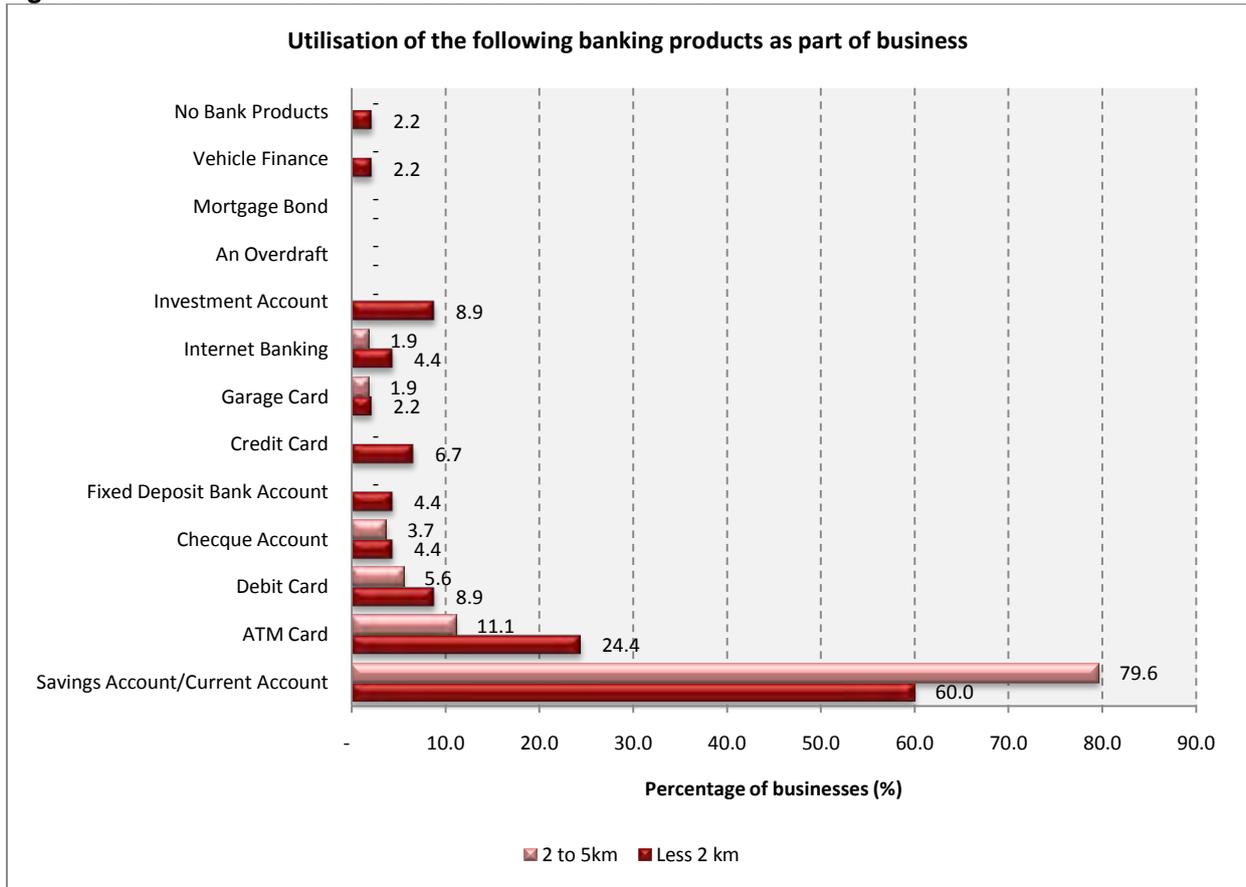


Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.58 and 12.59)

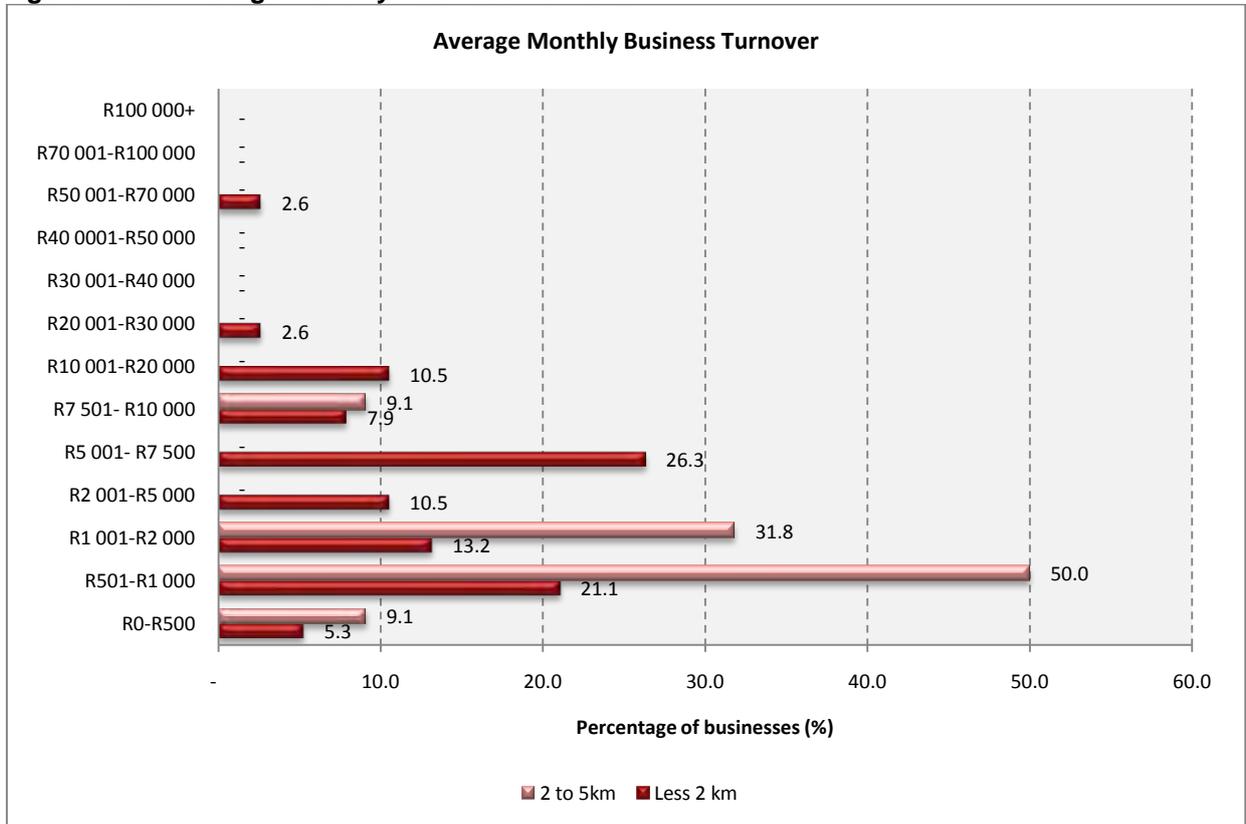
- ✓ In terms of forms of business planning, it is evident that only business plans featured in the planning of a segment of local businesses – 42.2% to 42.6%. This is followed by a slightly smaller segment utilising a budget and financial records. To a lesser extent use is made of a marketing plan or business strategy.
- ✓ In terms of banking products utilised as part of the businesses, the following was found: savings accounts or current accounts with ATM cards represent the dominant bank products utilised. Other products used to a lesser extent include cheque accounts, debit cards, internet banking, garage cards, investment accounts, fixed deposit bank accounts and credit cards.
- ✓ In terms of the experience with banks the following is evident: businesses obtained support, it is difficult to obtain loan, interest rates are high, bank charges are high, it takes a long time to process loan applications. However, the bank is generally viewed as a safe place to save money.

Figure 12.59: Bank Products Utilised as Part of Business



Source: Demacon Local Business Surveys, 2010

Figure 12.60: Average Monthly Business Turnover



Source: Demacon Local Business Surveys, 2010

**Findings:** (Figure 12.60)

- ✓ Businesses within 2km reflected higher average monthly incomes than businesses located further away from the centre. The average weighted monthly business income amounts to R6 888.6, and for the segment between 2 and 5km, to R1 670.9.

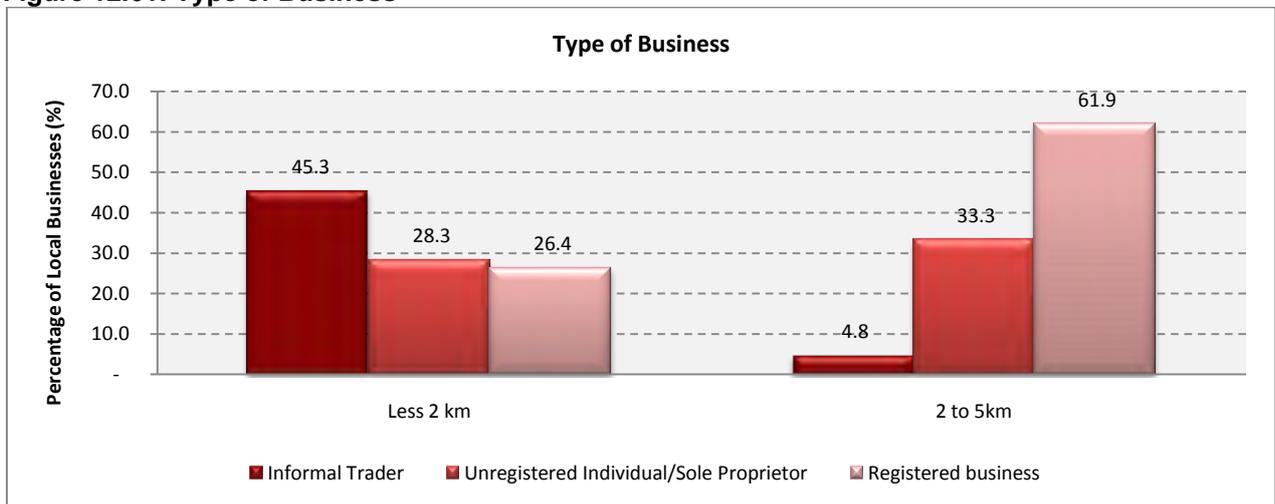
**12.5 THULA PLAZA IMPACT ON LOCAL BUSINESS ENVIRONMENT**

Subsequent paragraphs examine the findings of the local business surveys conducted around Thula Plaza. Surveys were conducted with informal traders, spaza shops and local businesses and retailers within 1km, 2km, 3km, 4k and 5km from Thula Plaza – Refer to Map 12.3. Findings are also presented in terms of two segments – businesses within 2km from Thula Plaza and those within 2 to 5km from Thula Plaza.

**12.5.1 BUSINESS CLASSIFICATION**

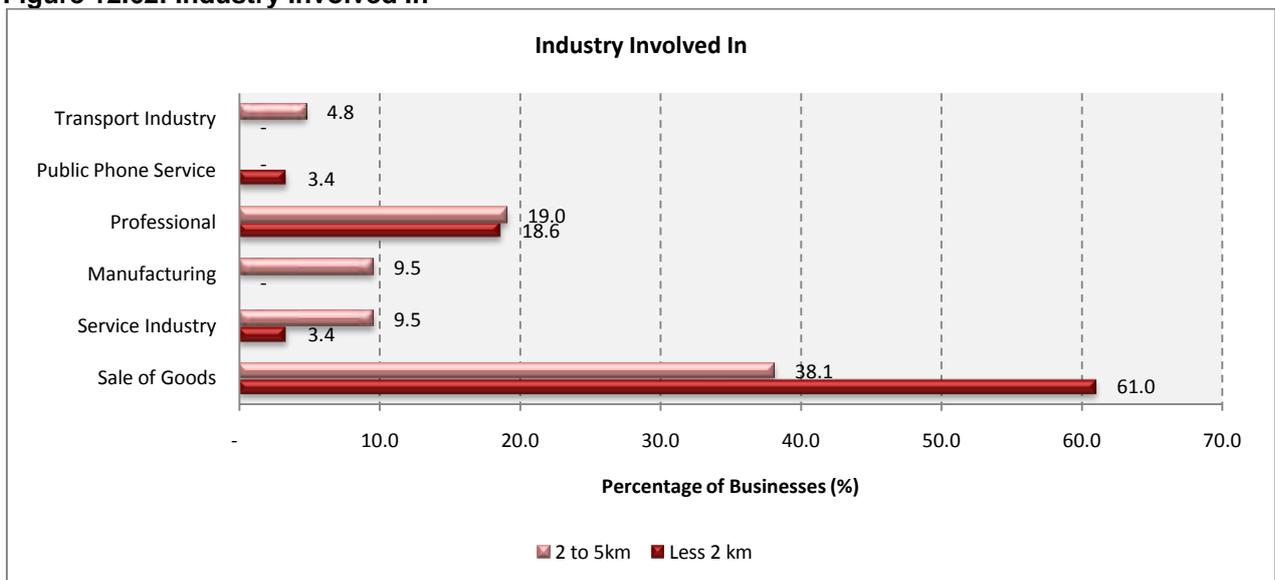
This section provides general information on the type of business, the industry the business is involved in and their main product or service.

**Figure 12.61: Type of Business**



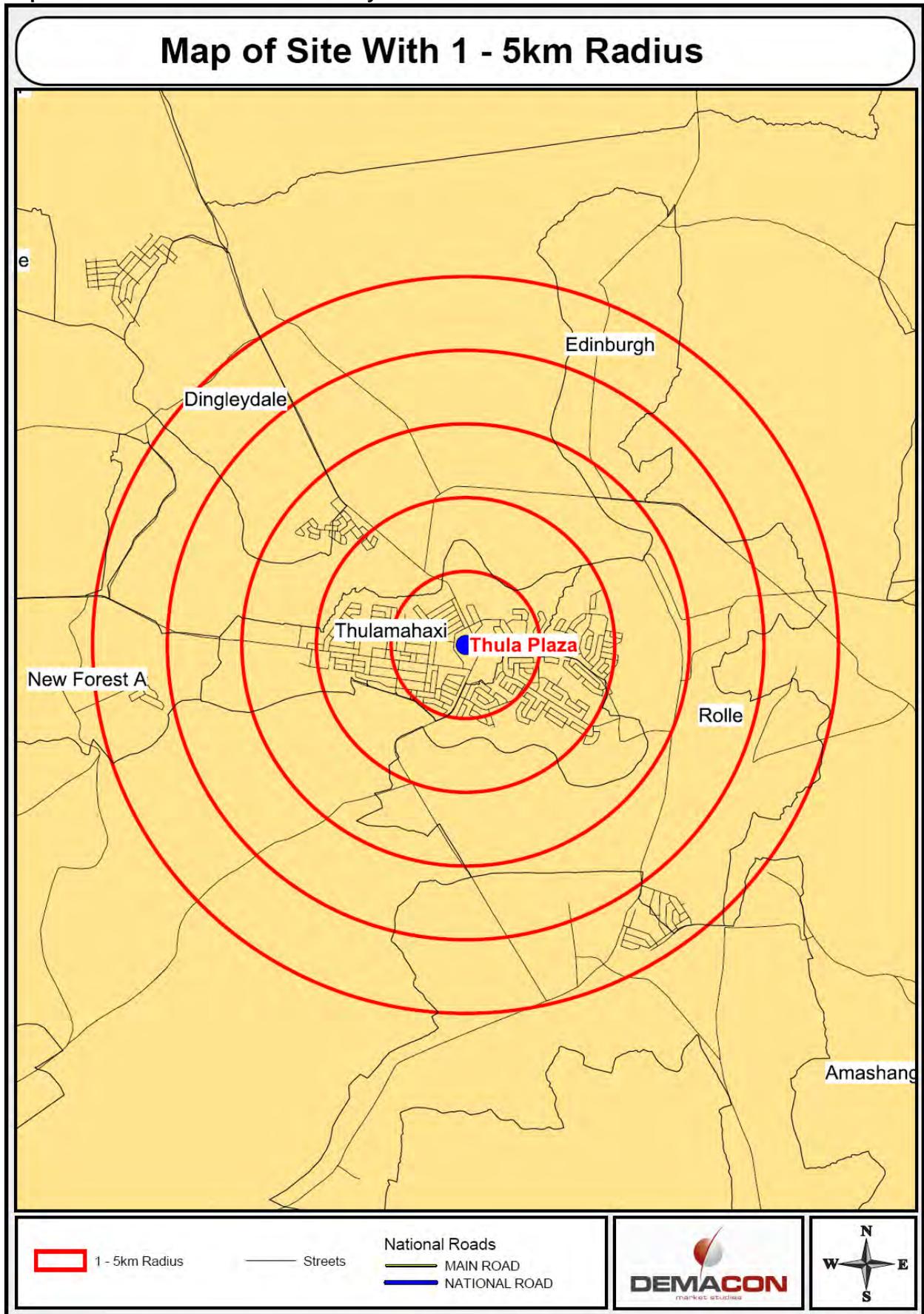
Source: Demacon Local Business Surveys, 2010

**Figure 12.62: Industry Involved In**



Source: Demacon Local Business Surveys, 2010

Map 12.3: Thula Plaza Business Survey Radiuses



**Table 12.10: Main Product and Services**

	Less 2km	2 to 5km
1	<b>Groceries</b>	<b>Groceries</b>
2	Hairdresser	Traditional healing
3	<b>Fast foods</b>	Taxi services
4	Fresh produce	Meat
5	Beer	Top-up groceries
6	Cold drinks	Internet café
7	Music entertainment	<b>Fast foods</b>
8	Phone repairs	Legal advice/lawyers
9	Business services	Computer repairs
10	Books	Chemicals

Source: Demacon Local Business Surveys, 2010

### Findings: (Figures 12.61 to 12.62 and Table 12.10)

- ✓ The types of businesses surveyed include informal traders, registered and unregistered businesses.
- ✓ The industry they are involved in is largely the sale of goods for both segments. The less than 2km market segment reflects a representation of professional services, public phone services and service industries. The 2 to 5km market segment also reflects a representation of professional services, service industries, manufacturing and transport services.
- ✓ The main products and services constituting the largest proportion of business income varies between the two market segments, with only groceries and fast foods being ranked under the top ten products of each area. These are followed by hairdressers, fresh produce, beer, cold drinks, music, phone repairs, business services, books, traditional healing, taxi services, meat, top up groceries, internet cafe, legal advice, computer repairs and chemicals.

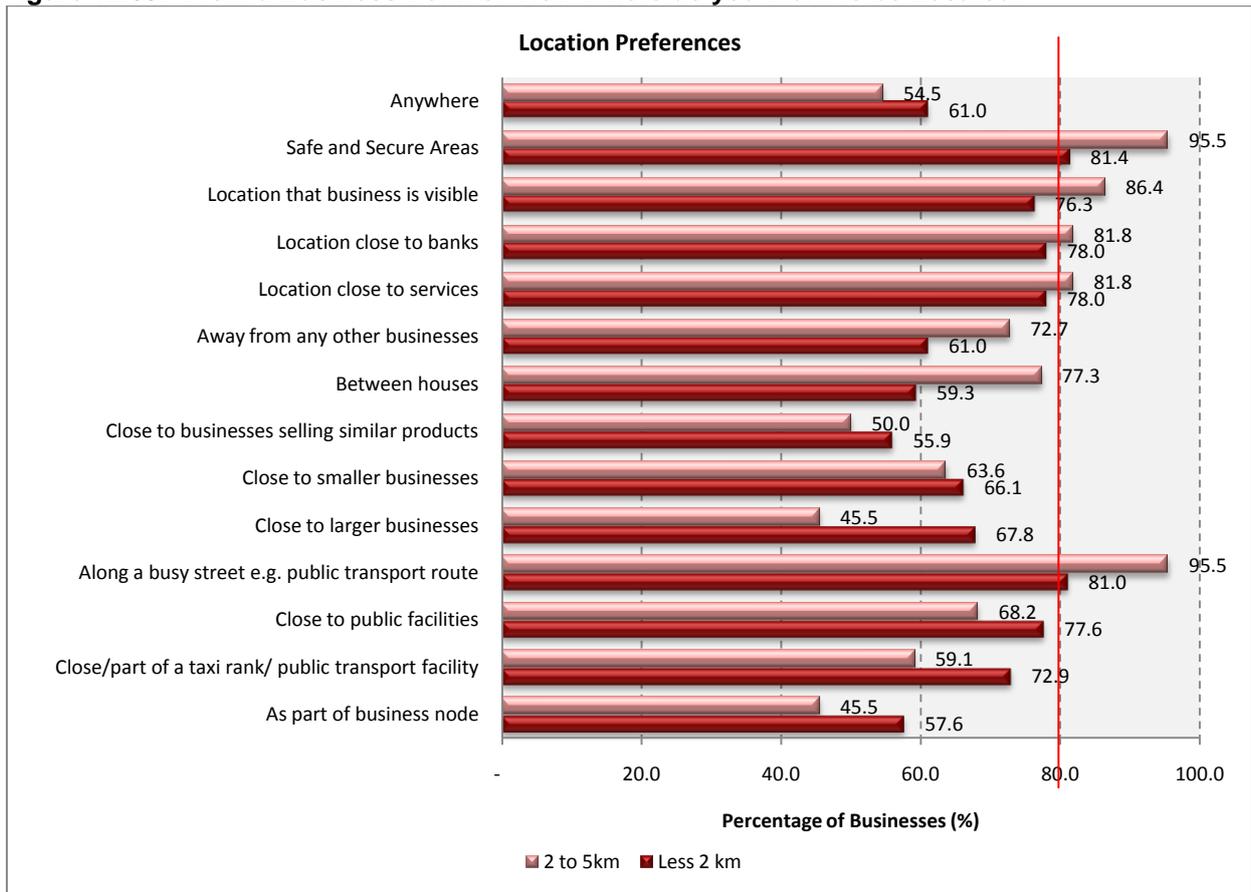
## 12.5.2 CURRENT LOCATION AND LOCATION REQUIREMENTS

Subsequent paragraphs provide information on preferences regarding business location, reasons for current location, opinions in terms of the advantages of being located in proximity to, or within, formal retail centres and the ability to afford rentals within a formal centre.

### Findings: (Figures 12.63 and 12.64)

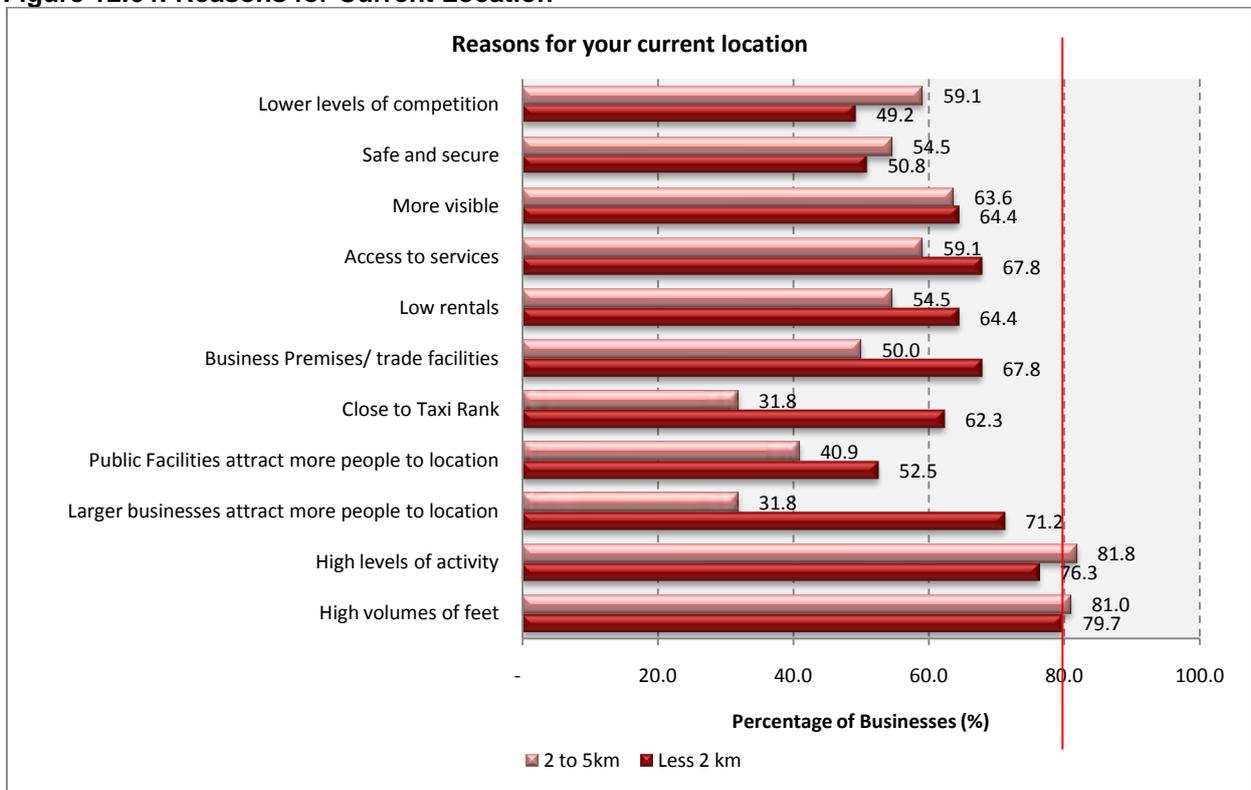
- ✓ In terms of the dominant location preferences it is evident that the following aspects ranked highly: location along a busy street (public transport route), safe and secure area, visible area, close to banks, close to services, close to public facilities and close to taxi ranks.
- ✓ In terms of reasons underlying their current location choices the following prevailed: high foot count, high levels of activity, larger businesses attract consumers, more people, quality business premises, lower rentals, access to services and visibility.
- ✓ Other reasons provided by respondents included convenience due to location in proximity to houses, no rentals, trading from home.

Figure 12.63: From a Business Point of View Where do you Want to be Located?



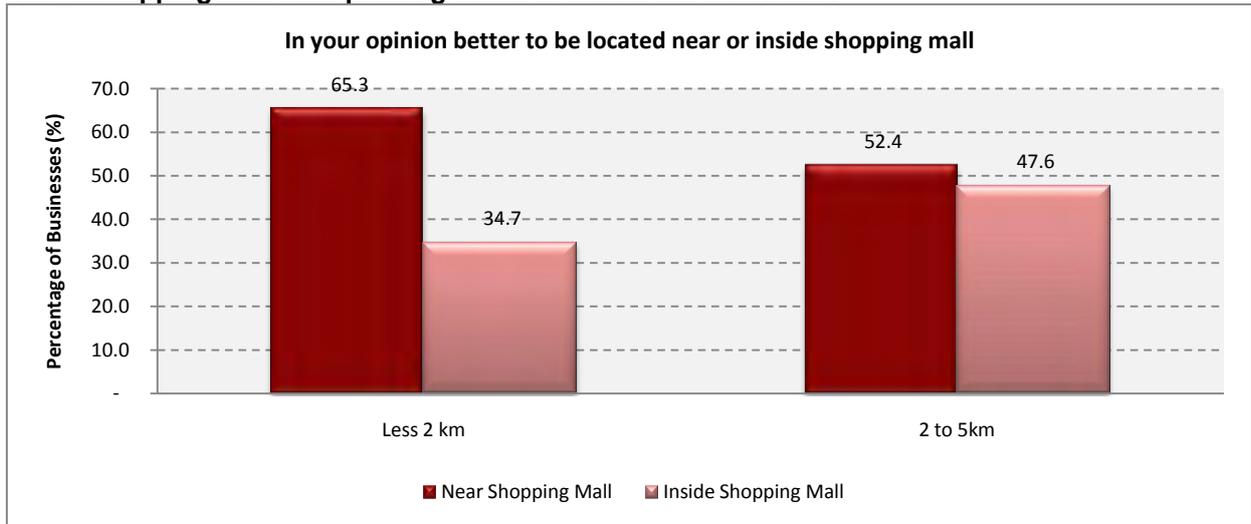
Source: Demacon Local Business Surveys, 2010

Figure 12.64: Reasons for Current Location



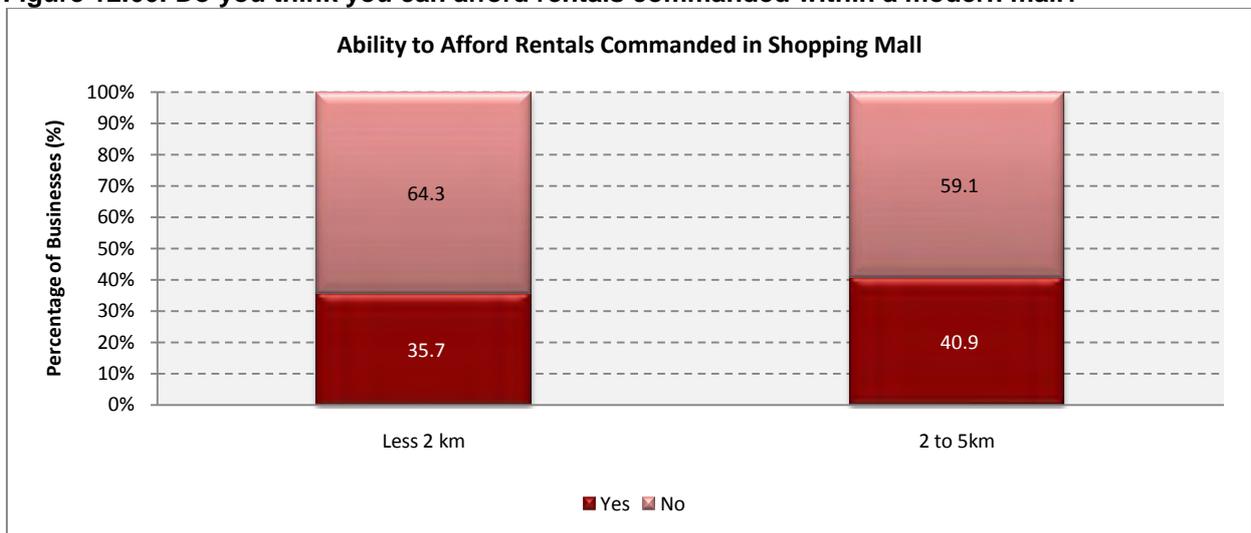
Source: Demacon Local Business Surveys, 2010

**Figure 12.65: Given the Nature of Your Business in your Opinion Would you be better off Situated Near a shopping mall near passing traffic or inside the Mall itself?**



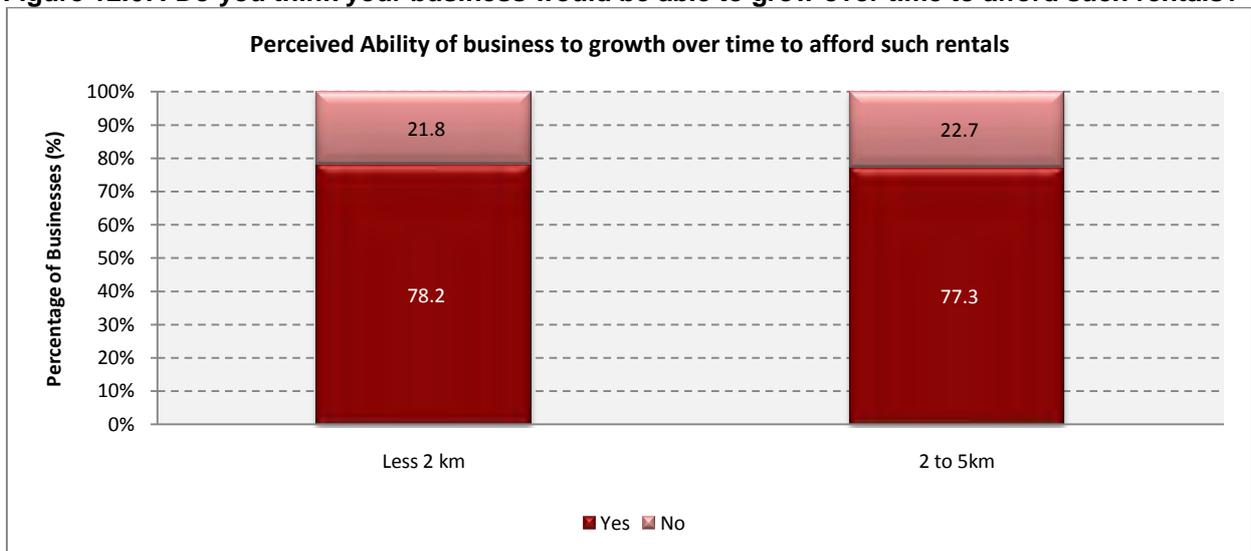
Source: Demacon Local Business Surveys, 2010

**Figure 12.66: Do you think you can afford rentals commanded within a modern mall?**



Source: Demacon Local Business Surveys, 2010

**Figure 12.67: Do you think your business would be able to grow over time to afford such rentals?**



Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.65 to 12.67)

- ✓ The segment within 2km: the majority indicated that they would prefer a location near a shopping mall to being located within a formal shopping mall. The majority of businesses (64.3%) also indicated that they feel that they would be able to afford mall rentals. The majority of businesses (78.2%) also indicated that they feel their businesses will be able to grow over time to afford such rentals.
- ✓ The segment between 2 and 5km – the majority preferred a location near a formal retail centre. A total of 59.1% indicated that they feel they are able to afford mall rentals, and the majority – 77.3% - indicated that they do feel that their businesses would mature to be able to afford such rentals.

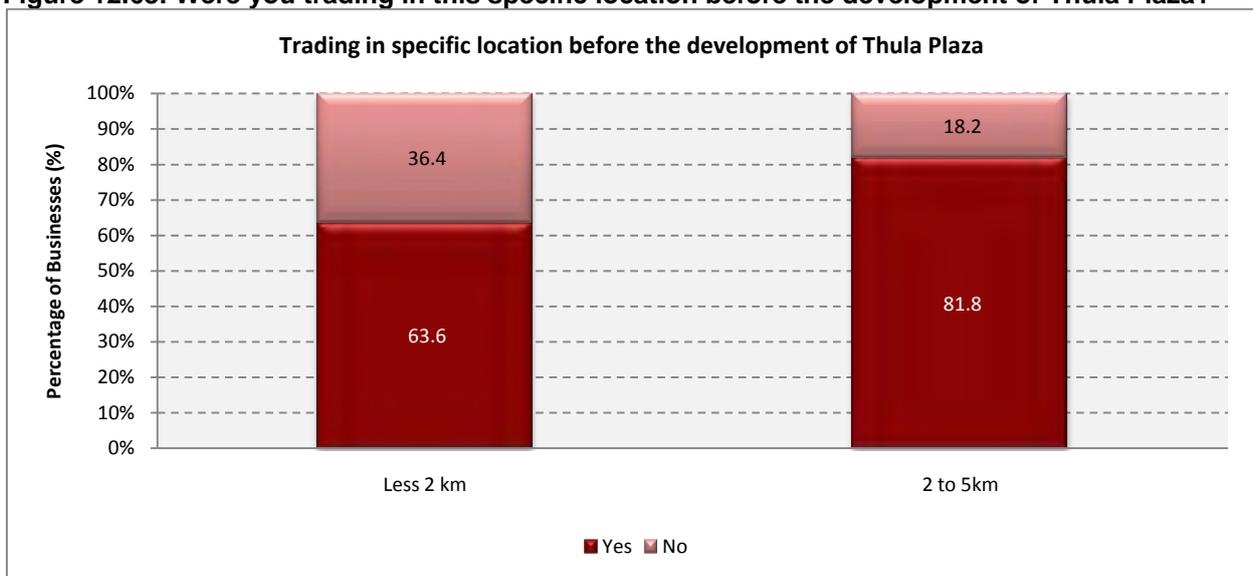
**12.5.3 PERCEIVED IMPACT OF FORMAL RETAIL CENTRE ON BUSINESS**

Subsequent paragraphs provide insight into the impact that the development of the formal retail centre had on the location of the businesses, its impact on the nature of the businesses and the impact on business performance.

**12.5.3.1 Perceived Impact on Location**

Subsequent paragraphs provide insight into the current location of the businesses and the manner in which the development of Thula Plaza had an impact on their current location.

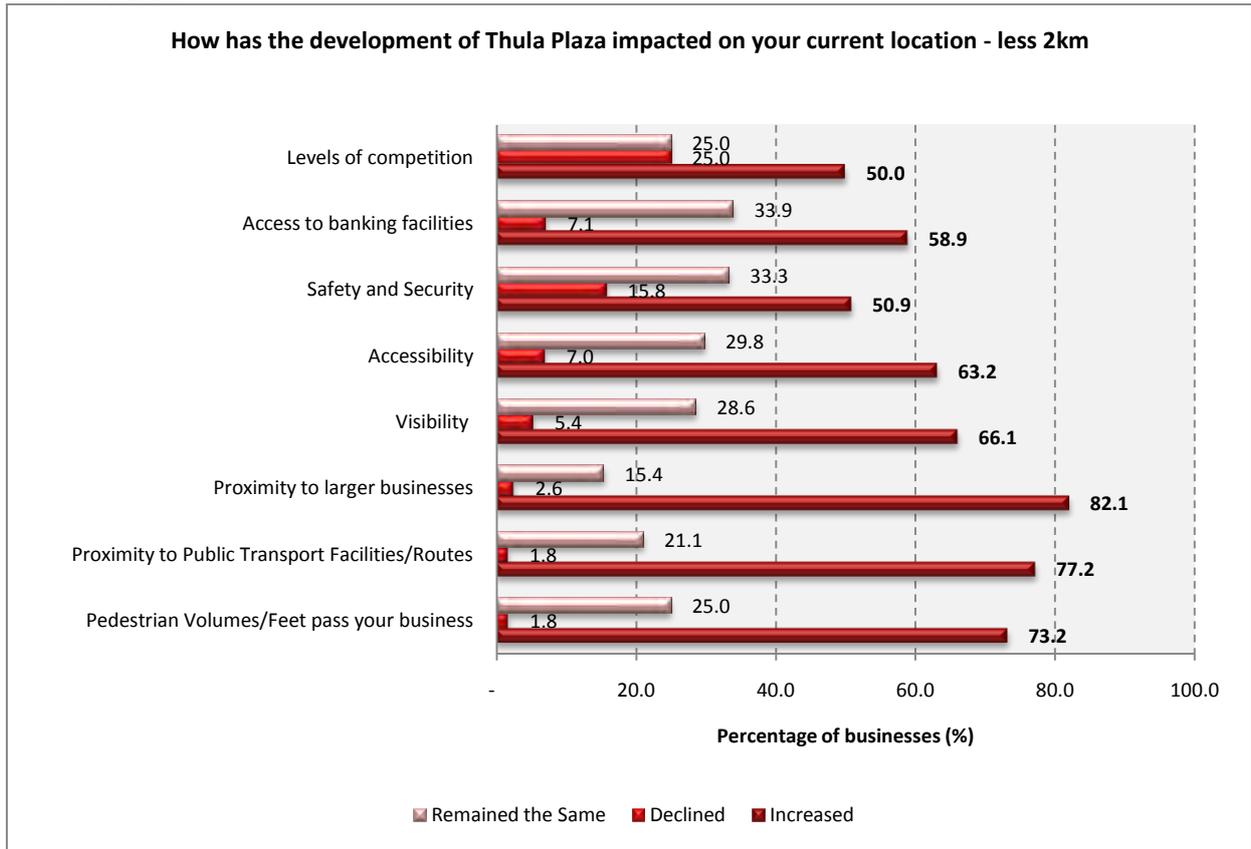
**Figure 12.68: Were you trading in this specific location before the development of Thula Plaza?**



Source: Demacon Local Business Surveys, 2010

- ✓ The majority of respondents indicated that they had been trading in the same location before the development of Thula Plaza.
- ✓ The largest segment of respondents within 2km, who indicated that they relocated after the development of Thula Plaza, is represented by informal traders (70.6%), registered businesses (17.6%) and unregistered entities/sole proprietors (11.8%).
- ✓ The segment of respondents between 2 and 5km reflecting changes in location after the development of Thula Plaza is represented by registered businesses (100.0%).
- ✓ The dominant reasons for changes in location are: higher levels of activity around Thula Plaza, the relocation of the taxi rank to Thula Plaza, the development of Thula Plaza, increased volumes of consumers, high rentals and to a lower extent some were forced to move from their previous trading locations.

**Figure 12.69: Perceived Impact of Thula Plaza on Current Location With Reference to Following – less than 2km**



Source: Demacon Local Business Surveys, 2010

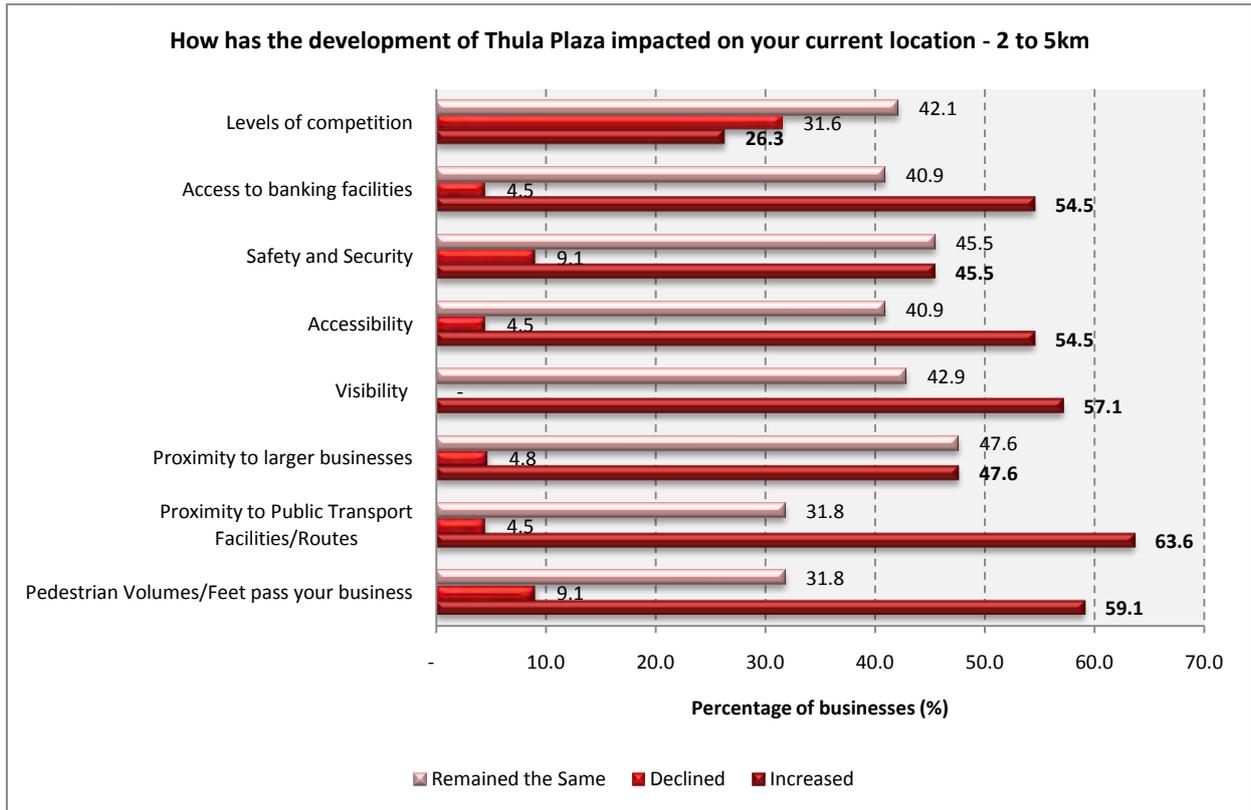
**Findings: (Figure 12.69)**

Businesses within 2km of Thula Plaza indicated the following perceived impacts:

Overall the following increased:

- ✓ Proximity to larger businesses;
- ✓ Proximity to public transport facilities and routes;
- ✓ Pedestrian volumes/feet past business;
- ✓ Visibility of businesses;
- ✓ Accessibility to businesses;
- ✓ To a lesser extent, access to banking facilities, levels of competition and visibility.

**Figure 12.70: Perceived Impact of Thula Plaza on Current Location With Reference to Following – 2 to 5km**



Source: Demacon Local Business Surveys, 2010

**Findings: (Figure 12.70)**

Businesses within 2 to 5km of Thula Plaza indicated the following perceived impacts:

Overall the following increased:

- ✓ Proximity to public transport facilities;
- ✓ Pedestrian volumes/ feet past business;
- ✓ Visibility;
- ✓ Accessibility;
- ✓ Access to banking facilities.

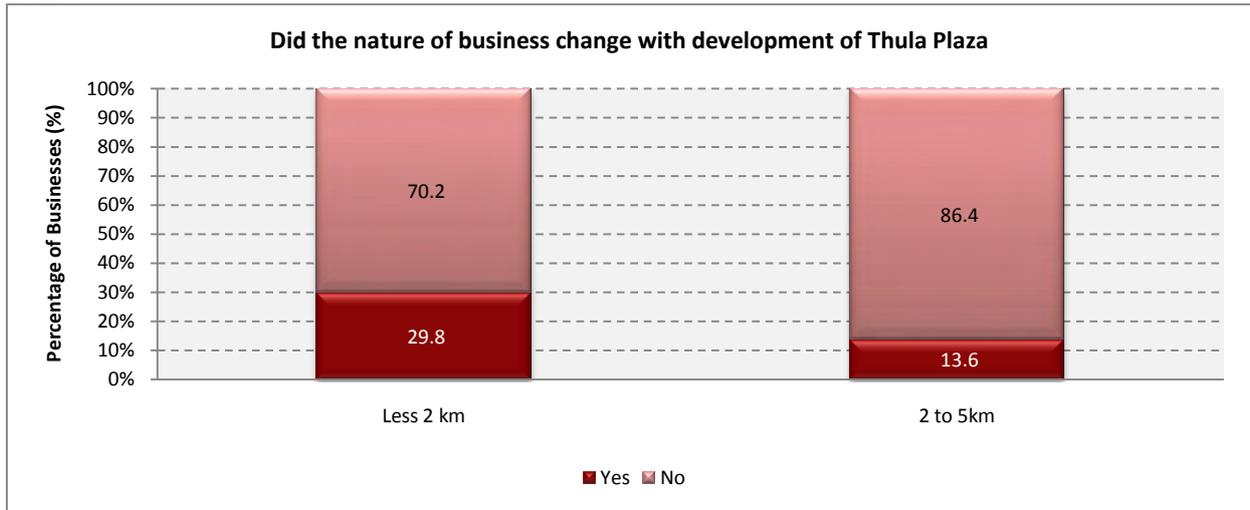
Overall the following remained the same:

- ✓ Levels of competition.

**12.5.3.2 Perceived Impact on Nature of Business**

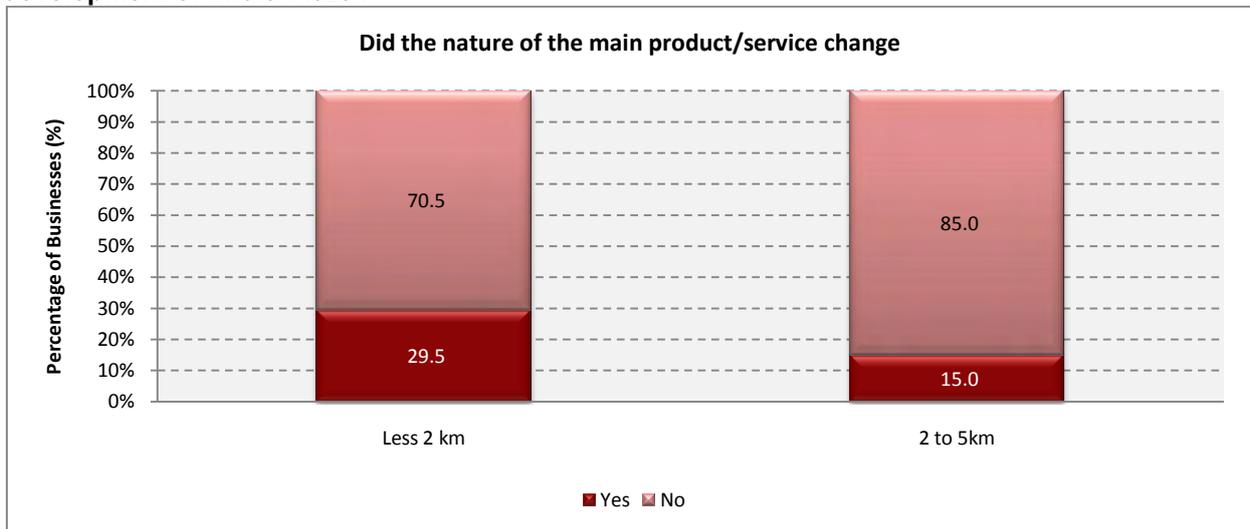
Subsequent paragraphs provide insight into the nature of the business and the impact of the development of Thula Plaza thereon.

**Figure 12.71: Did the Nature of your Business change before and after Development of Thula Plaza?**



Source: Demacon Local Business Surveys, 2010

**Figure 12.72: Did the nature of the dominant product or service change before and after development of Thula Plaza?**



Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.71 and 12.72)**

- ✓ It is evident that a small percentage of businesses have experienced a change in the nature of their businesses since the development of Thula Plaza – 29.8% and 13.6% respectively. A certain segment of businesses reflected changes due to positive factors – increased customer base, higher levels of activity, business growth, product expansion, business formalisation and product change. The other segment, however, reflected changes due to negative factors such as increased levels of competition, economic recession, decline in consumers.
- ✓ A medium sized segment of responding businesses indicated that a change took place in their dominant products and services.

✓ Examples of these changes are listed below:

Before Thula Plaza	After Thula Plaza
Sweets	Sweets and chips
Cell phones	Cell phones and repairs
Photo copying	Photo copying and fax and internet
Top-up groceries	Bulk groceries
Public pay phone	Public pay phone and fast food
Computers	Computers and repairs
Stoves	Stoves and electrical repairs
Internet café	Internet café and computer repairs

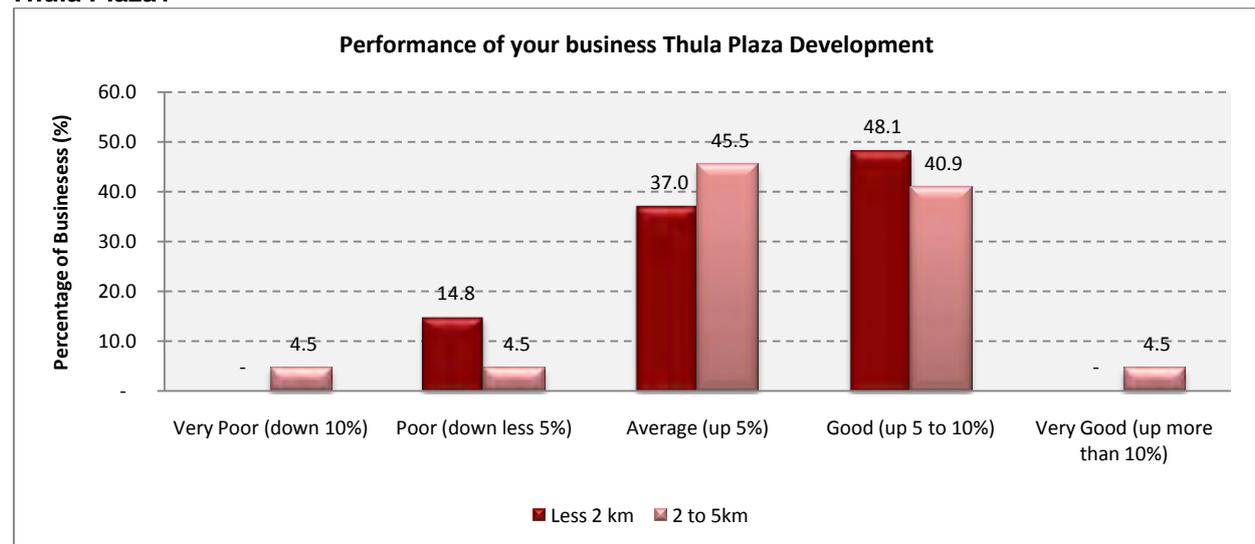
The dominant reasons for these changes are:

- ✓ High levels of competition;
- ✓ Business growth;
- ✓ Increased consumer volumes;
- ✓ Increased ownership of electrical appliances by consumers;
- ✓ Increased business activity and requirement for business services;
- ✓ Preference towards products and services offered by the mall;
- ✓ Price competitiveness;
- ✓ Improved product quality;
- ✓ General township development;
- ✓ Greater variety within the mall.

### 12.5.3.3 Perceived Impact on Business Performance

Subsequent paragraphs provide an indication of the impact that the development of Thula Plaza had on the local business performance in terms of consumer volumes, stock movement, product range, turnover, profits and employment. An overall perceived impact of the development of Thula Plaza on the local business environment was also indicated, as well as linkages to Thula Plaza.

**Figure 12.73: How would you Measure the Performance of Your Business after development of Thula Plaza?**



Source: Demacon Local Business Surveys, 2010

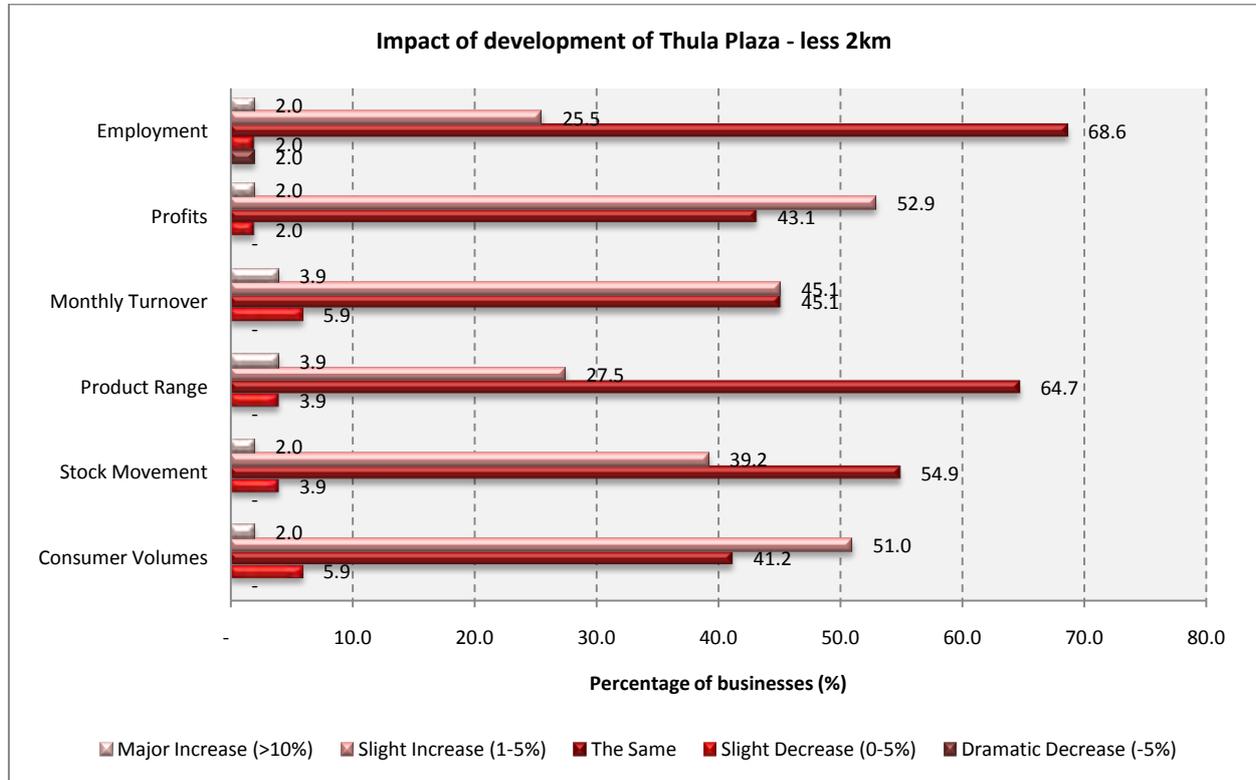
#### Findings: (Figure 12.73)

- ✓ Segment within 2km: the majority of businesses indicated good business performance (up by between 5% and 10%), followed by 37.0% indicating average business performance (up

by 5%) and a medium sized segment of 14.8% reflecting poor business performance (down but by less than 5%).

- ✓ Segment between 2 and 5km: the larger segment of businesses – 45.5% - reflected average business performance (up by 5%), followed by 40.9% indicating good business performance (up by between 5% and 10%), 9.0% indicated poor to very poor business performance and 4.5% very good business performance.

**Figure 12.74: Perceived impact on business performance after Thula Plaza Development – less than 2km**



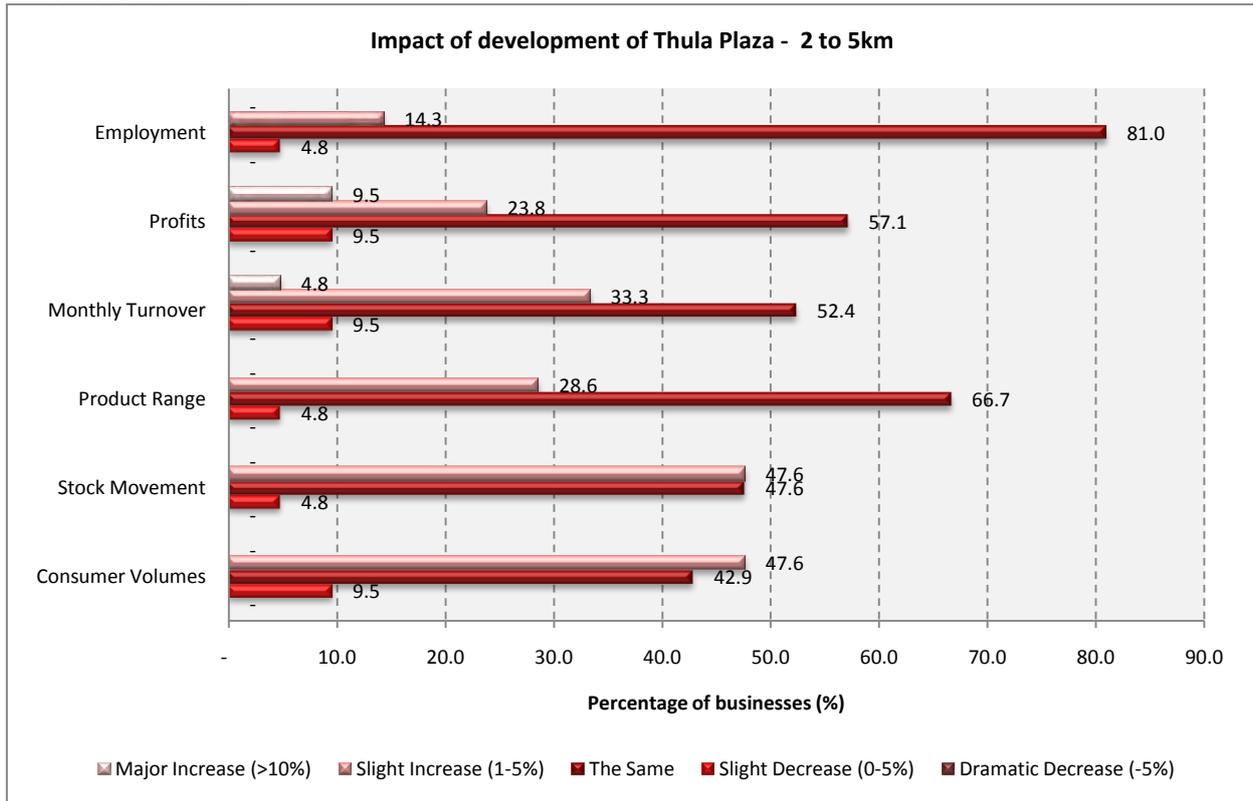
Source: Demacon Local Business Surveys, 2010

**Findings: (Figure 12.74)**

Overall, the following was found:

- ✓ Employment: the majority of businesses indicated that employment remained the same (68.6%), followed by 25.5% of respondents indicating a slight increase.
- ✓ Profit: the larger segment reflected a slight increase in profit (52.9%), followed by 43.1% indicating that it remained the same.
- ✓ Monthly turnover: evenly large segments reflected a slight increase and no change pertaining to monthly turnover – 45.1%.
- ✓ Product range: the majority of respondents indicated that this remained the same – 64.7%, supported by 27.5% indicating a slight increase.
- ✓ Stock movement: the majority of respondents indicated that it remained the same – 54.9%, followed by 39.2% indicating a slight increase.
- ✓ Consumer volumes: the majority of respondents reflected a slight increase in consumer volumes – 51.0%, followed by 41.2% indicating that it remained the same.

**Figure 12.75: Perceived impact on business performance after Thula Plaza Development – between 2 and 5km**



Source: Demacon Local Business Surveys, 2010

**Findings: (Figure 12.75)**

Overall, the following was found:

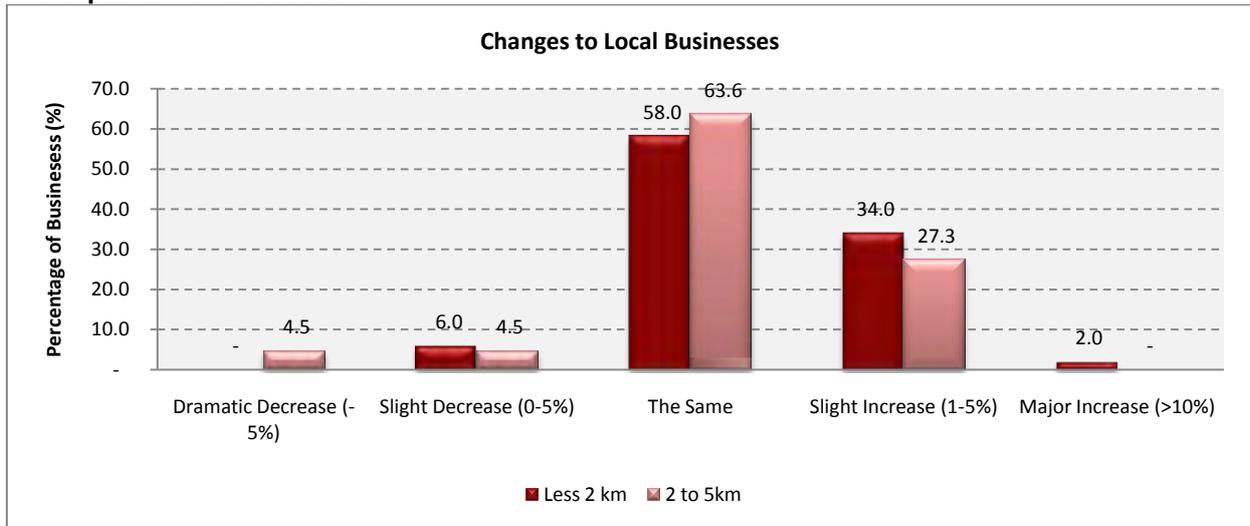
- ✓ Employment: the majority of businesses reflected that employment remained the same – 81.0%, supported by 14.3% indicating a slight increase.
- ✓ Profit: the larger segment indicated that it remained the same – 57.1%, supported by 23.8% indicating a slight increase.
- ✓ Monthly turnover: the larger segment indicated that it remained the same – 52.4%, while 33.3% indicated a slight increase.
- ✓ Product range – the larger segment indicated that it remained the same – 66.7%, but 28.6% indicated a dramatic decrease.
- ✓ Stock movement: evenly sized business segments indicated that stock movement remained the same / increased slightly – 47.6%.
- ✓ Consumer volumes: the larger segment of respondents indicated a slight increase in consumer volumes – 47.6%, followed by 42.9% indicating that they remained the same.

Respondents also listed a number of factors which had a negative impact on their business performance besides the development of Thula Plaza:

- ✓ Lack of business facilities;
- ✓ Economic recession;
- ✓ High levels of competition;
- ✓ Quality of products and services;
- ✓ Proximity to road and road accidents;
- ✓ Taxi rank;
- ✓ Security aspects;

✓ Overall quality of the business environment.

**Figure 12.76: What have you perceived with regard to local businesses in the areas with the development of Thula Plaza?**

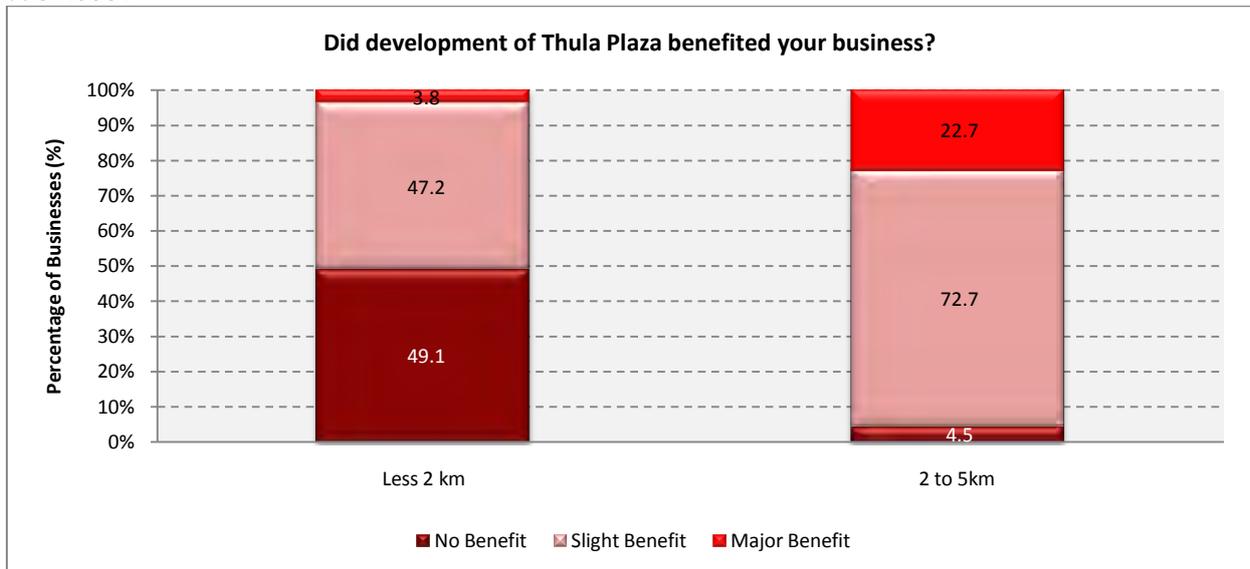


Source: Demacon Local Business Surveys, 2010

**Findings: (Figure 12.76)**

- ✓ In terms of the segment within 2km of Thula Plaza – 58.0% indicated it remained the same, 34.0% indicated a slight increase in local businesses, 6.0% indicated a slight decrease in businesses and 2.0% indicated a dramatic increase in local businesses and traders.
- ✓ The segment between 2 and 5km from Thula Plaza – 63.6% indicated that businesses remained the same, 27.3% indicated a slight increase, while 9.0% indicated a slight to dramatic decrease in businesses and traders.

**Figure 12.77: In general would you say that the development of Thula Plaza has benefited your business?**



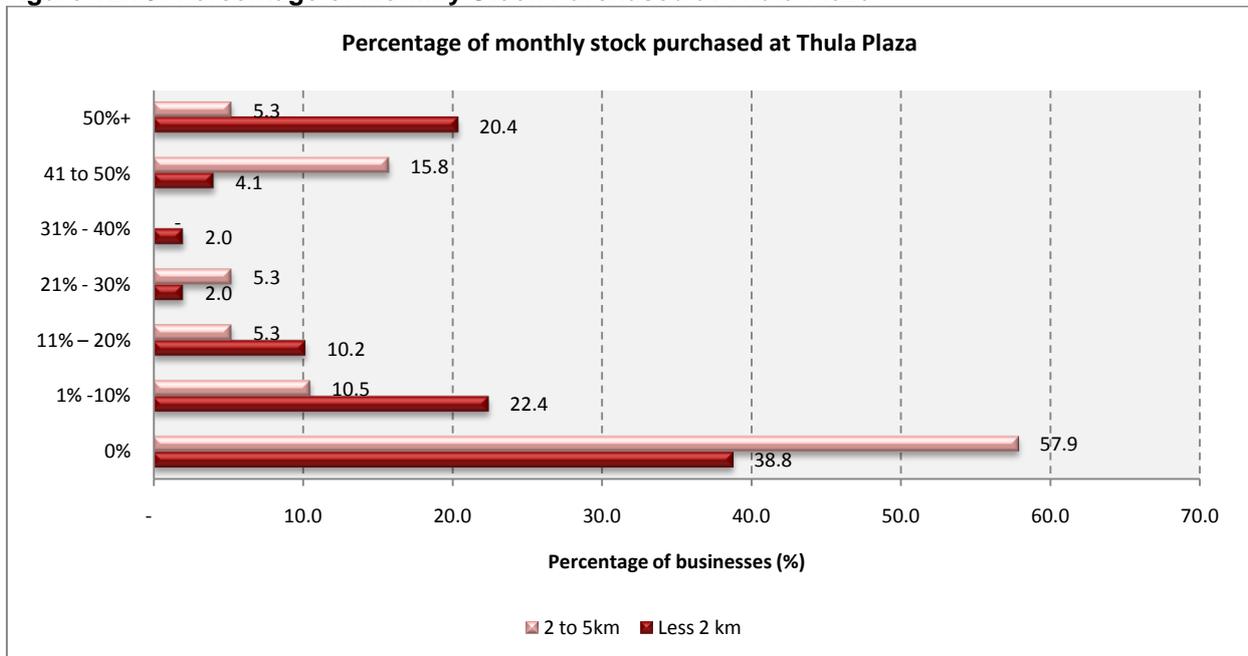
Source: Demacon Local Business Surveys, 2010

Figure 12.78: Dominant Suppliers



Source: Demacon Local Business Surveys, 2010

Figure 12.79: Percentage of Monthly Stock Purchased at Thula Plaza



Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.77 to 12.79)**

- ✓ In terms of the segment within 2km – 49.1% of the respondents indicated that Thula Plaza had no benefit for their business, 47.2% indicated a slight benefit and 3.8% indicated major benefits.
- ✓ In terms of the segment between 2 and 5km – the larger segment of 72.7% indicated that it had slight benefits and 22.7% indicated that it had major benefits.
- ✓ In general, the benefits are a result of: increased consumer volumes, proximity to suppliers, proximity to shops, increased business activity, increased levels of visibility, increased interest in products and services, higher end of the month consumer volumes to Thula Plaza and more efficient marketing.
- ✓ In general, the dominant suppliers are represented by wholesalers, manufacturers and supermarkets/hypermarkets and to a lesser extent, shops within formal retail centres and fresh produce markets.

- ✓ Local businesses in closer proximity to Thula Plaza purchase higher percentages of monthly stock from the mall than those located further away. The average weighted percentage of monthly stock purchased at Thula Plaza amounts to 17.03% for businesses within 2km and 12.76% for businesses located between 2 and 5km from the mall.

### 12.5.4 BUSINESS PROBLEMS AND REQUIRED SUPPORT

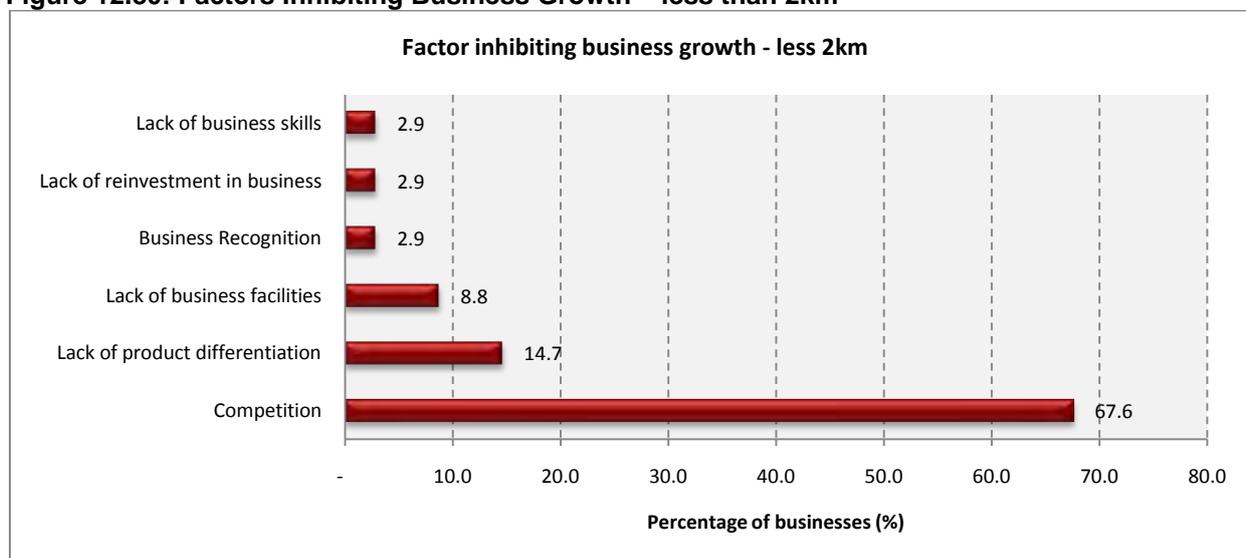
**Table 12.11: Factors inhibiting your business from relocating to a formal retail centre such as Thula Plaza**

Less 2 km	2 to 5km
✓ Low levels of customers	✓ Lack of consumers
✓ Low profit margins	✓ Lack of funding
✓ Lack of business recognition	✓ Visibility
✓ Size of business	✓ Low profit margins
✓ Level of formalisation	✓ High levels of competition
✓ Limited business growth	✓ Low levels of growth
✓ Lack of funds	✓ High rentals
✓ Legal advice	
✓ Effective marketing	
✓ The status of the business	
✓ High levels of competition	

Source: Demacon Local Business Surveys, 2010

It is evident from Table 12.11 that the dominant factors inhibiting businesses from moving to formal retail centres are: low numbers of customers, low profit margins, lack of business recognition, size of business, visibility thereof, level of formalisation, low levels of growth, lack of funds, required legal advice, effective marketing, status of the business, high levels of competition and high rentals.

**Figure 12.80: Factors Inhibiting Business Growth – less than 2km**

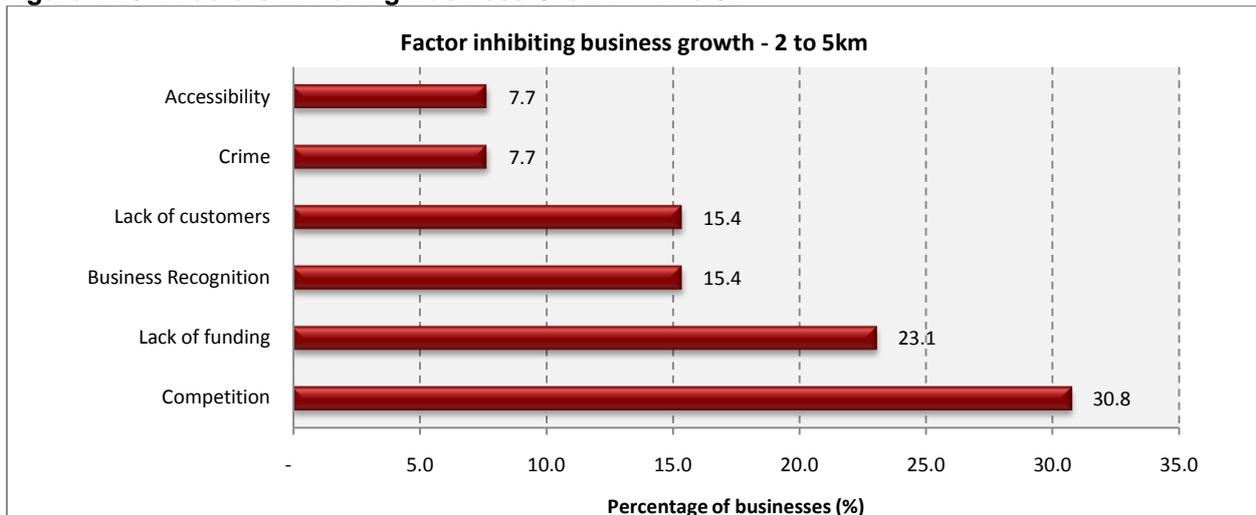


Source: Demacon Local Business Surveys, 2010

**Findings: (Figures 12.80 and 12.81)**

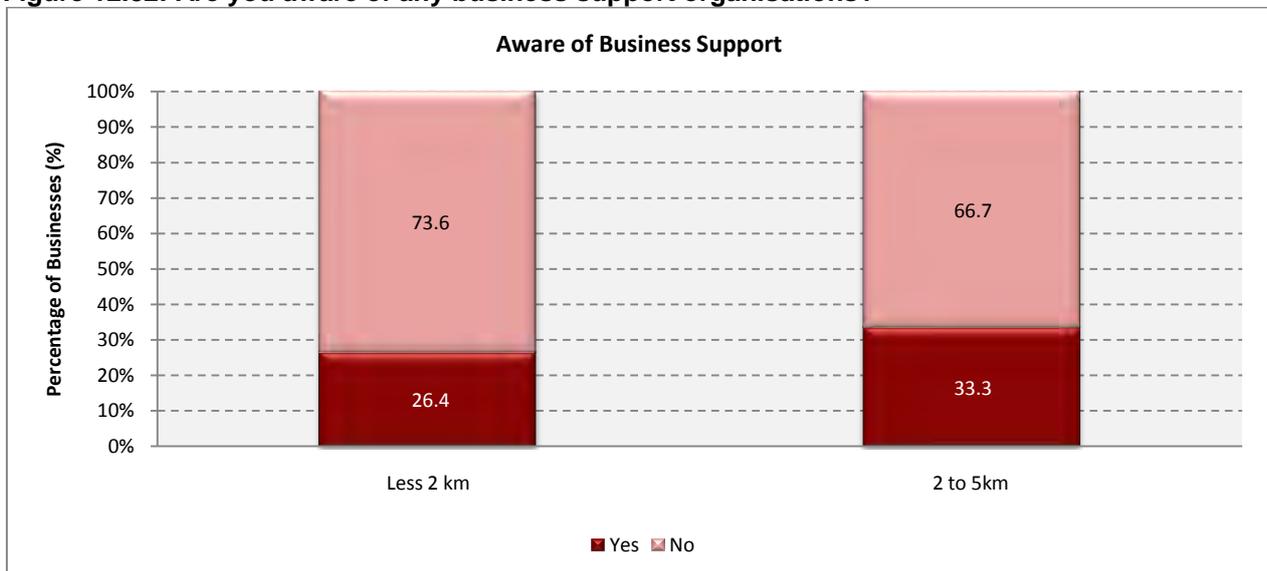
In general the dominant factors inhibiting local business growth include: high levels of competition, lack of product differentiation, lack of business facilities, lack of business recognition, limited reinvestment in businesses, lack of business skills, lack of customers, crime and accessibility.

Figure 12.81: Factors Inhibiting Business Growth – 2 to 5km



Source: Demacon Local Business Surveys, 2010

Figure 12.82: Are you aware of any business support organisations?

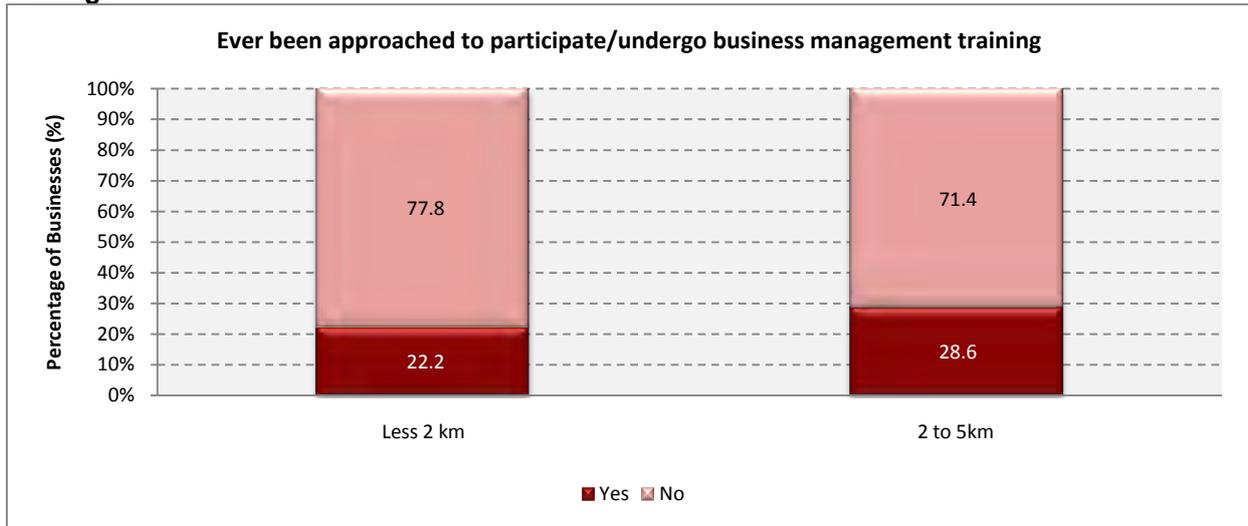


Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.72 to 12.74)

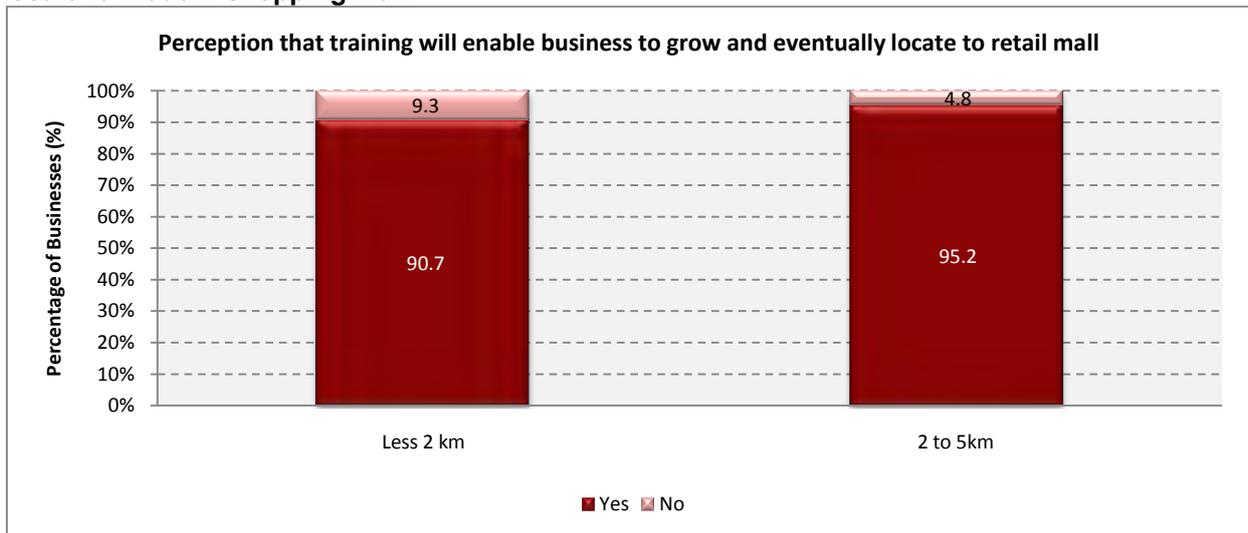
- ✓ A moderate segment of local businesses are aware of business support organisations – 26.4% within 2km and 33.3% between 2 and 5km. (
- ✓ A medium sized segment of local business within 2km from Thula Plaza have been approached to participate in or undergo business training (22.2%) compared with the 28.6% approached located between 2 and 5km from Thula Plaza.
- ✓ The majority of local businesses believe that this type of training would enable their businesses to grow and would enable them to relocate to formal retail centres such as Thula Plaza.

**Figure 12.83: Have you ever been approached to participate in or undergo business management training?**



Source: Demacon Local Business Surveys, 2010

**Figure 12.84: Do you believe such training would enable your business to grow and eventually locate to modern shopping mall?**



Source: Demacon Local Business Surveys, 2010

**Figure 12.85: Would you accept such training if it were offered?**



Source: Demacon Local Business Surveys, 2010

It is also evident that the majority of these local businesses indicated that they would accept training if it were offered – 92.2% and 86.4% respectively.

Local businesses also ranked their business support requirements – as indicated in Table 12.12.

**Table 12.12: Ranking of Business Support Requirements**

	1	2	3	4	5	
<b>Segment – less than 2km</b>						
Financial support	1.9	-	17.3	19.2	61.5	100
General business skills training	1.9	1.9	19.2	23.1	53.8	100
Legal advice	1.9	1.9	19.2	32.7	44.2	100
Business planning advice	2.0	-	17.6	35.3	45.1	100
Marketing assistance	1.9	-	19.2	34.6	44.2	100
Produce research and information	-	1.9	17.3	36.5	44.2	100
Communication assistance	-	1.9	15.4	38.5	44.2	100
Technical assistance	-	1.9	17.3	40.4	40.4	100
Networking forums	-	1.9	15.4	38.5	44.2	100
Physical facilities	3.8	1.9	19.2	32.7	42.3	100
<b>Segment –2 to 5km</b>						
Financial support	-	-	9.5	28.6	61.9	100
General business skills training	-	-	19.0	33.3	47.6	100
Legal advice	-	-	14.3	42.9	42.9	100
Business planning advice	-	-	23.8	28.6	47.6	100
Marketing assistance	-	-	28.6	28.6	42.9	100
Produce research and information	-	-	19.0	33.3	47.6	100
Communication assistance	-	-	19.0	28.6	52.4	100
Technical assistance	-	-	14.3	42.9	42.9	100
Networking forums	-	-	19.0	33.3	47.6	100
Physical facilities	-	-	19.0	33.3	47.6	100

Source: Demacon Local Business Surveys, 2010

Overall, the following business support requirements are evident:

- ✓ Segment within 2km: financial support, general business skills training, business planning advice, legal advice, marketing assistance, communication assistance, networking forums and physical facilities.
- ✓ Segment between 2 and 5km: financial support, communication assistance, general business skills training, business planning advice, product research and information, networking forums and physical facilities.

### 12.5.5 BUSINESS OWNER AND BUSINESS INFORMATION

Subsequent paragraphs provide background information on the business owner in terms of racial profile, gender profile, age profile, highest level of education, business training, previous work experience and reasons for starting a business. They also provide information pertaining to the business itself - age of the business, number of employees, access to facilities and services, business planning, bank products and average monthly business turnover.

**Table 12.13: Business Owner Information**

	Less 2 km	2 to 5km
<b>Racial Profile</b>		
Black	92.6	100.0
Coloured	3.7	-
Indian/Asian	3.7	-
White	-	-
<b>Gender Profile</b>		
Male	45.1	81.0
Female	54.9	19.0
<b>Age Profile</b>		
16-24 yrs	1.9	4.5

	Less 2 km	2 to 5km
25 -34 yrs	37.0	18.2
35 – 49 yrs	38.9	50.0
50yrs+	22.2	27.3
<b>Highest Level of Education</b>		
No schooling	22.6	23.8
Primary	7.5	9.5
Some secondary	17.0	28.6
Matric	39.6	28.6
Post matric qualification	7.5	4.8
Bachelors degree	5.7	4.8
Any post graduate degree	-	-
<b>Any form of Business Training</b>		
Yes	18.9	30.0
No	81.1	70.0
<b>Where were Skills Learned</b>		
Self taught	73.6	50.0
Family	15.1	10.0
Previous job	5.7	20.0
Training programme	3.8	15.0
Mentor/advisor	1.9	-
Tertiary institution	-	5.0
<b>Previous Work Experience</b>		
None	38.5	42.9
1 Year	1.9	-
2 Years	9.6	4.8
3 Years	5.8	-
5 Years	17.3	19.0
10 Years	13.5	19.0
10 Years+	13.5	14.3
<b>Motivation for Starting Own Business</b>		
Wanted to own business	37.0	28.6
Couldn't find another job	24.1	19.0
Was retrenched	1.9	9.5
For survival/income purposes	31.3	28.6
Business was inherited	3.7	9.5
Religious regions	1.9	4.8

Source: Demacon Local Business Surveys, 2010

### Findings: (Table 12.13)

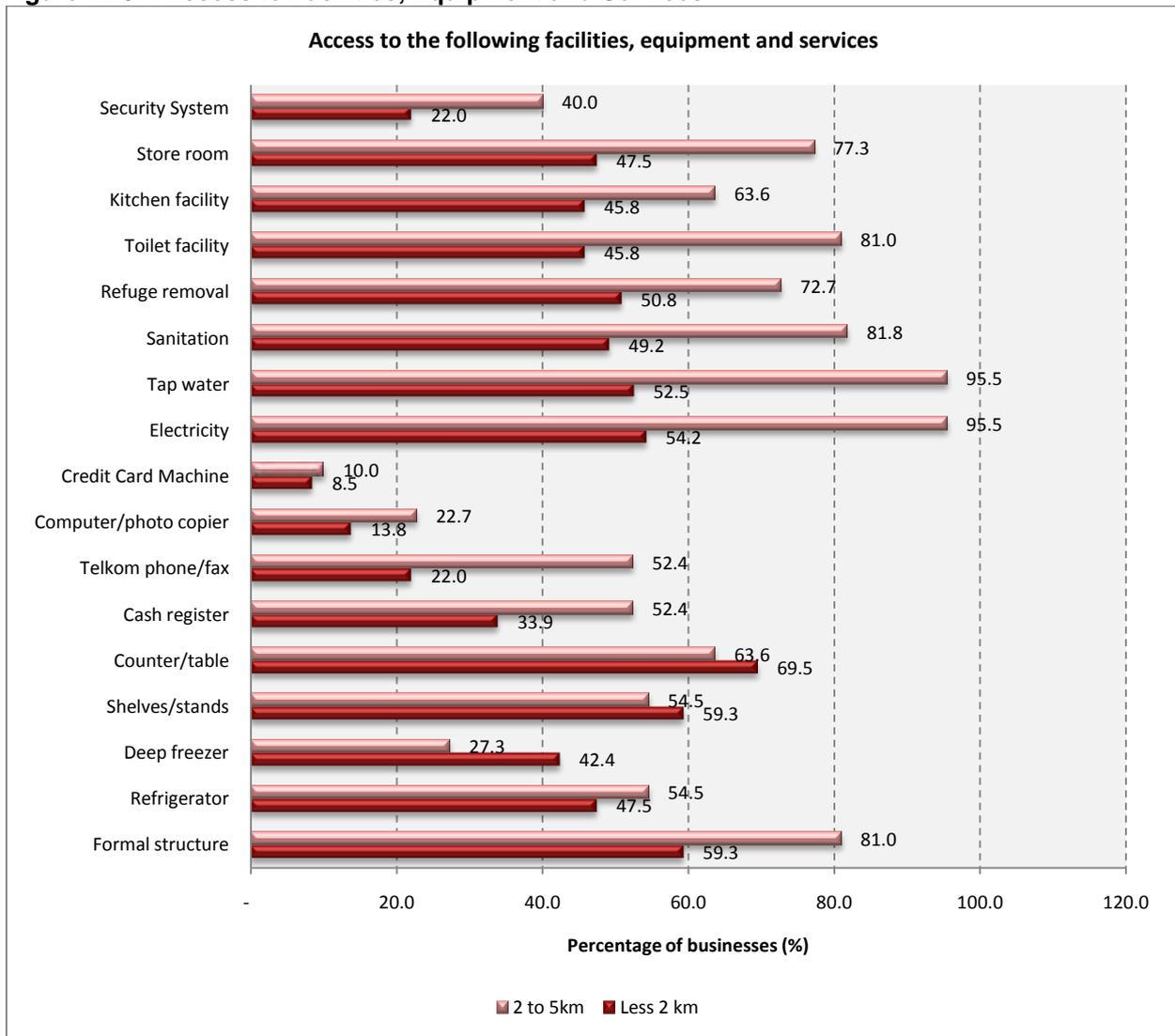
- ✓ For the segment within 2km: business owners in general represent African black females, supported by a nearly evenly large segment of African black males, between the ages of 25 and 49 years.
- ✓ For the segment between 2km and 5km: business owners in general represent African black males aged 35 years and older.
- ✓ The largest segment of business owners reflected highest education levels of some secondary and matric levels (13.2% and 9.6% of the various market segments respectively indicated post matric education levels).
- ✓ A small segment of business owners have some form of business training – 18.9% to 30.0%.
- ✓ Skills were mainly self-taught, or learned from family members, from previous jobs and, to a lesser extent, through training programmes.
- ✓ A relatively large segment of business owners have no previous work experience – 38.5% to 42.9%. This is followed by 23.8% to 34.6% of business owners that have less than five years work experience and between 27.0% to 33.3% of business owners who have more than ten years previous work experience.
- ✓ The dominant motivation for starting their own business includes owners wanting to own their own business and the need to do so for survival purposes.

Figure 12.86: Ownership of Business Premises



Source: Demacon Local Business Surveys, 2010

Figure 12.87: Access to Facilities, Equipment and Services

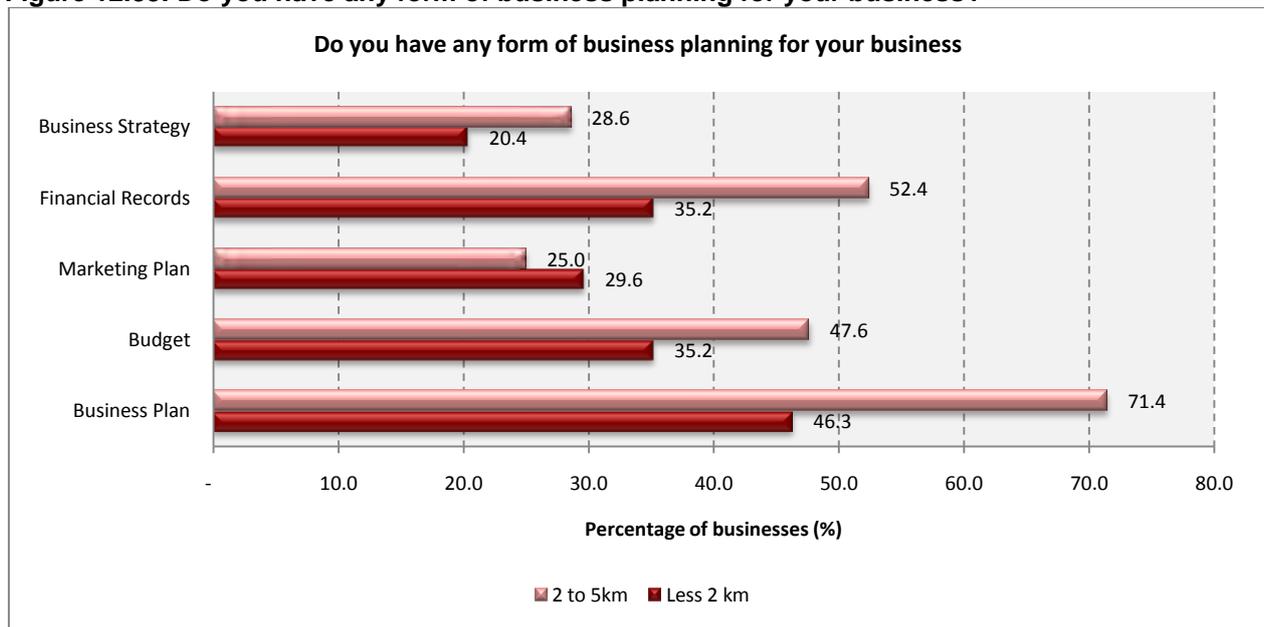


Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.86 and 12.87)

- ✓ Market segment within 2km: The larger segment of local businesses occupy their business premises rent free, followed by a medium sized segment renting premises while a relatively small segment owning their premises.
- ✓ Market segment between 2km and 5km: The larger segment of local businesses own or rent their business premises, followed by a relatively small segment that occupy it without paying rent.
- ✓ In general businesses have access to at least the following:
  - Segment within 2km – counter/table, shelves/stand, formal structure, electricity, refuse removal and refrigeration facilities.
  - Segment between 2 and 5km – tap water, electricity, sanitation, toilet facility, formal structure, store room and refuse removal.

**Figure 12.88: Do you have any form of business planning for your business?**

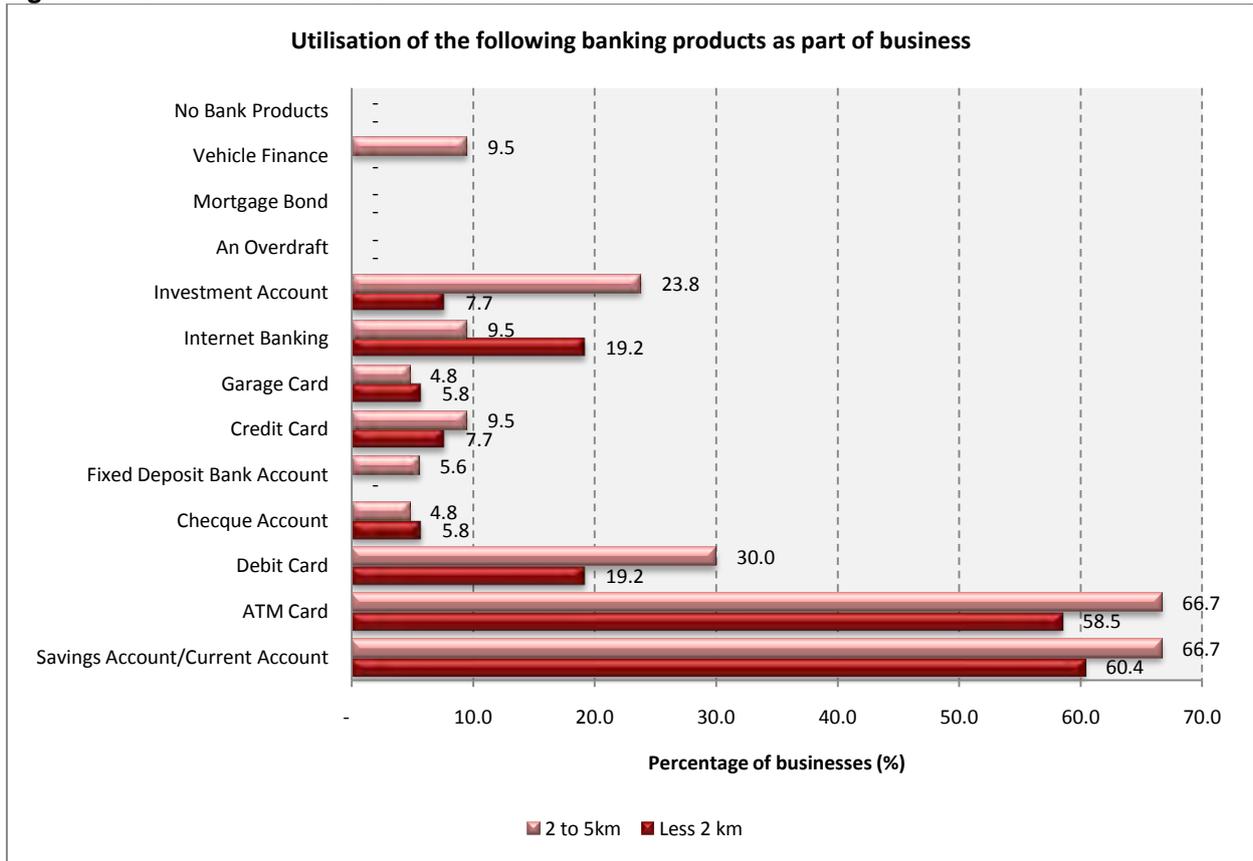


Source: Demacon Local Business Surveys, 2010

**Findings:** (Figures 12.88 and 12.89)

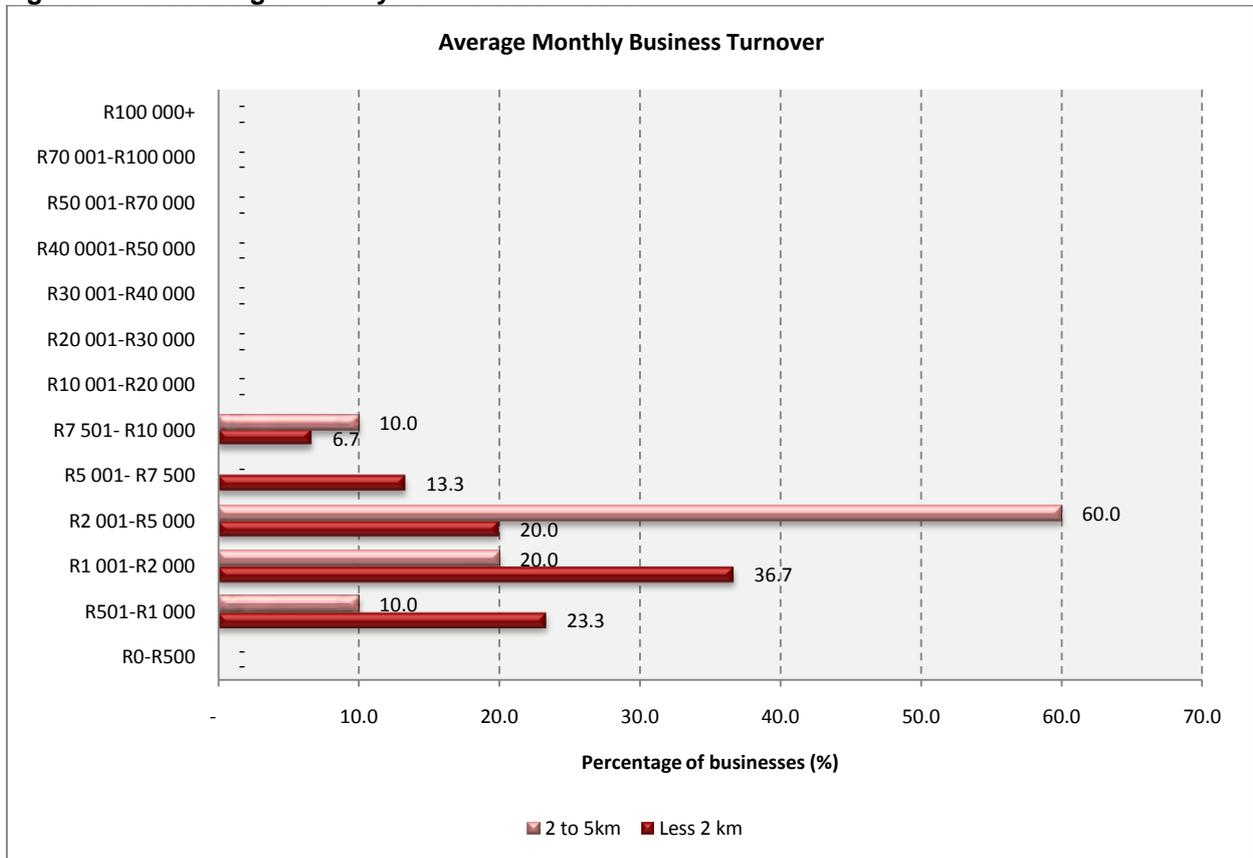
- ✓ In terms of forms of business planning it is evident that business plans, budgets and financial records featured under the forms of business planning supporting their business ventures.
- ✓ In terms of banking products utilised as part of the businesses, the following was found: savings accounts or current account with ATM cards represent the dominant bank products utilised. Other products used to a lesser extent include debit cards, cheque accounts, credit cards, garage cards, internet banking, investment accounts, fixed deposit bank accounts and vehicle finance.
- ✓ In terms of the experience with banks the following perceptions were evident: banks are generally viewed as a safe place to save money, they provide financial support for business ventures, they provide advice on how to run the finances of a business. Some negative experiences relate to high bank charges and refusals to provide financial assistance to business owners with criminal records.

Figure 12.89: Bank Products Utilised as Part of Business



Source: Demacon Local Business Surveys, 2010

Figure 12.90: Average Monthly Business Turnover



Source: Demacon Local Business Surveys, 2010

**Findings:** (Figure 12.90)

- ✓ Businesses within 2km reflected lower average monthly incomes than businesses located further away from the centre. The average weighted monthly business income amounts to R2 842.2 for the segment within 2km from the mall and R3 350.5 for the segment located between 2 and 5km.

**12.6 SYNTHESIS**

The purpose of this chapter was to illustrate the impact of formal retail centre development on the local business environment in second economy areas. Table 12.14 summarises the key findings.

**Table 12.14: Impact of formal retail centre development on local business environment**

Impact on location:	Jabulani Mall		Central City		Thula Plaza	
	Within 2km	2 to 5km	Within 2km	2 to 5km	Within 2km	2 to 5km
Pedestrian volumes	✓ Increased 48.8%	✓ Declined 39.0%	✓ Increased 55.6%	✓ Declined 41.3%	✓ Increased 73.2%	✓ Increased 59.1%
Proximity to public transport facilities	✓ Increased 57.5%	✓ Same 60.0%	✓ Increased 60.0%	✓ Same 58.7%	✓ Increased 77.2%	✓ Increased 63.6%
Proximity to larger businesses	✓ Same 40.0%	✓ Same 65.7%	✓ Increased 53.3%	✓ Declined 37.5% ✓ Increased 33.3%	✓ Increased 82.1%	✓ Increased 47.6% ✓ Same 47.6%
Visibility	✓ Increased 34.2% ✓ Decreased 34.2%	✓ Same 40.5%	✓ Increased 42.2%	✓ Same 48.8%	✓ Increased 66.1%	✓ Increased 57.1%
Accessibility	✓ Same 43.6%	✓ Same 48.6%	✓ Same 52.3%	✓ Same 54.5%	✓ Increased 63.2%	✓ Increased 54.5%
Safety & security	✓ Same 59.0%	✓ Same 66.7%	✓ Same 60.0%	✓ Same 60.0%	✓ Increased 50.9%	✓ Increased 45.5% ✓ Same 45.5%
Access to banking facilities	✓ Same 50.0% ✓ Increased 36.8%	✓ Same 62.5%	✓ Increased 48.9%	✓ Same 63.6%	✓ Increased 58.9%	✓ Increased 54.3
Levels of competition	✓ Increased 55.2%	✓ Increased 54.5%	✓ Increased 50.0%	✓ Increased 50.0%	✓ Increased 50.0%	✓ Same 42.1%
Did the nature of business change?	✓ Yes 57.8%	✓ Yes 48.9%	✓ Yes 22.7%	✓ Yes 21.2%	✓ Yes 29.8%	✓ Yes 13.6%
Main product/service change	✓ Yes 35.9%	✓ Yes 38.5%	✓ Yes 9.3%	✓ Yes 20.4%	✓ Yes 29.5%	✓ Yes 15.0%
Performance after development	✓ Slight Increase 51.1% ✓ Poor 24.4% ✓ Good 22.2%	✓ Slight Increase 51.1% ✓ Good 24.4% ✓ Poor	✓ Average 48.1% ✓ Good 30.8%	✓ Very Poor 37.8% ✓ Average 29.7%	✓ Good 48.1% ✓ Average 37.0%	✓ Average 45.5% ✓ Good 40.9%

**Impact of Township Shopping Centres – July, 2010**

	Jabulani Mall		Central City		Thula Plaza	
	Within 2km	2 to 5km	Within 2km	2 to 5km	Within 2km	2 to 5km
		15.6%				
Consumer volumes	✓ Slight decline 34.3% ✓ Slight increase 25.7%	✓ Same 43.6% ✓ Slight decline 33.3%	✓ Slight increase 38.6% ✓ Same 38.6%	✓ Drastic decrease 36.4% ✓ Same 36.4%	✓ Slight increase 51.0% ✓ Same 41.2%	✓ Slight increase 47.6% ✓ Same 42.9%
Stock movement	✓ Same 44.1%	✓ Same 57.5%	✓ Same 59.1%	✓ Same 51.2%	✓ Same 54.9%	✓ Slight increase 47.6% ✓ Same 47.6%
Product range	✓ Same 50.0%	✓ Same 60.0%	✓ Same 61.4%	✓ Same 52.4%	✓ Same 64.7%	✓ Same 66.7%
Monthly turnover	✓ Slight decrease 35.3% ✓ Same 29.4% ✓ Slight increase 26.5%	✓ Same 52.5%	✓ Slight increase 45.5%	✓ Drastic decrease 39.5% ✓ Same 37.2%	✓ Same 45.1% ✓ Slight increase 45.1%	✓ Same 52.4%
Profits	✓ Slight decrease 37.1% ✓ Slight increase 28.6%	✓ Same 47.5%	✓ Slight increase 50.0%	✓ Same 37.2% ✓ Dramatic decrease 34.9%	✓ Slight increase 52.9% ✓ Same 43.1%	✓ Same 57.1%
Employment	✓ Same 57.1%	✓ Same 60.0%	✓ Same 68.2%	✓ Same 47.7%	✓ Same 68.6%	✓ Same 81.0%
General change with regard to number of local businesses	✓ Slight decline 35.0% ✓ Same 30.0% ✓ Slight increase 30.0%	✓ Same 67.5% ✓ Dramatic decline 17.5%	✓ Same 55.8% ✓ Slight increase 23.3% ✓ Slight decline 18.6%	✓ Same 40.0% ✓ Dramatic decline 24.4% ✓ Slight decline 20.0%	✓ Same 58.0% ✓ Slight increase 34.0% ✓ Slight decline 6.0% ✓ Drastic increase 2.0%	✓ Same 63.6% ✓ Slight increase 27.3% ✓ Slight to large decline 9.0%
In general did development of centre/mall benefit business?	✓ Slight benefit 45.2% ✓ Major benefit 4.8%	✓ Slight benefit 18.6%	✓ Slight benefit 34.1% ✓ Major benefit 2.3%	✓ Slight benefit 22.2%	✓ Slight benefit 47.2% ✓ Major benefit 3.8%	✓ Slight benefit 72.7% ✓ Major benefit 22.7%
Percentage of monthly stock purchased at centre/mall	✓ 11.8%	✓ 8.7%	✓ 7.5%	✓ 22.5%	✓ 17.0%	✓ 12.7%

Besides this impact it was also found that local businesses have a specific point of view regarding their preferred location and their ability to relocate to formal retail centres.

**Table 12.15: Location Preferences and Perceived Ability to Relocate to Formal Retail Centres**

	Jabulani Mall		Central City		Thula Plaza	
	Within 2km	2 to 5km	Within 2km	2 to 5km	Within 2km	2 to 5km
Top location preferences	<ul style="list-style-type: none"> <li>✓ Safe and secure area</li> <li>✓ Visible area</li> <li>✓ Close to public facilities</li> <li>✓ Along busy street</li> <li>✓ Close to services</li> </ul>	<ul style="list-style-type: none"> <li>✓ Safe and secure area</li> <li>✓ Close to public facilities</li> <li>✓ Visible area</li> <li>✓ Close to banks</li> <li>✓ Close to services</li> </ul>	<ul style="list-style-type: none"> <li>✓ Safe and secure area</li> <li>✓ Visible area</li> <li>✓ Close to public facilities</li> <li>✓ Close to services</li> <li>✓ Along busy street</li> </ul>	<ul style="list-style-type: none"> <li>✓ Safe and Secure area</li> <li>✓ Part of business node</li> <li>✓ Close to public facilities</li> <li>✓ Close to banks</li> <li>✓ Along busy street</li> </ul>	<ul style="list-style-type: none"> <li>✓ Safe and secure area</li> <li>✓ Along busy street</li> <li>✓ Close to banks</li> <li>✓ Close to services</li> <li>✓ Close to public facilities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Safe and secure area</li> <li>✓ Along busy street</li> <li>✓ Visible location</li> <li>✓ Close to banks</li> <li>✓ Close to services</li> </ul>
From business point of view – better situated near or within mall	✓ 60% Near	✓ 53.3% Within	✓ 55.0% Within	✓ 55.8% Within	✓ 65.3% Near	✓ 52.4% Near
Perceived ability to afford rentals	✓ Yes 37.2%	✓ Yes 43.8%	✓ Yes 20.0%	✓ Yes 71.7%	✓ Yes 35.7%	✓ Yes 40.9%
Perception that business will be able to grow over time to afford such rentals	✓ Yes 54.5%	✓ Yes 75.5%	✓ Yes 80.0%	✓ Yes 78.8%	✓ Yes 78.2%	✓ Yes 77.3%
Current inhibiting factors	<ul style="list-style-type: none"> <li>✓ Lack of customers</li> <li>✓ Lack of funding</li> <li>✓ Product recognition</li> <li>✓ Informal nature of business</li> <li>✓ High rentals</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lack of funding</li> <li>✓ Lack of business education</li> <li>✓ Informal nature of business</li> <li>✓ High rentals</li> <li>✓ Inability to compete with nationals</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lack of customers</li> <li>✓ Lack of funding</li> <li>✓ Product recognition</li> <li>✓ Low profit margins</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lack of funding</li> <li>✓ Lack of business education</li> <li>✓ High rentals</li> <li>✓ Informal nature of businesses</li> <li>✓ Inability to compete with nationals</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lack of customers</li> <li>✓ Low profit margins</li> <li>✓ Lack of product / business recognition</li> <li>✓ Size of business</li> <li>✓ Level of formalisation</li> <li>✓ Limited growth</li> <li>✓ Lack of funding</li> <li>✓ Lack of legal advice</li> <li>✓ High levels of competition</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lack of customers</li> <li>✓ Lack of funding</li> <li>✓ Low visibility</li> <li>✓ Low profit margin</li> <li>✓ High levels of competition</li> <li>✓ Limited growth</li> <li>✓ High rentals</li> </ul>

It should, however, also be noted that business owners indicated that it was not only formal retail centre development that had an impact on their business performance.

**Table 12.16: Factors Impacting on Business Performance and Growth**

Jabulani Mall		Central City		Thula Plaza	
Within 2km	2 to 5km	Within 2km	2 to 5km	Within 2km	2 to 5km
✓ High levels of competition	✓ High levels of competition	✓ High levels of competition	✓ Crime and theft	✓ High levels of competition	✓ High levels of competition
✓ Lack of customers	✓ Lack of funding	✓ Accessibility	✓ High level of competition	✓ Lack of product differentiation	✓ Lack of funding
✓ Stock prices	✓ Crime and theft	✓ Visibility	✓ Lack of funding	✓ Lack of business facilities	✓ Lack of product / business recognition
✓ Price competitiveness	✓ Lack of proper management	✓ Lack of business facilities	✓ Lack of business skills	✓ Lack of product / business recognition	✓ Lack of customers
✓ Accessibility	✓ Inability to save income	✓ Quality of business facilities	✓ Accessibility	✓ Low levels of business reinvestment	✓ Crime
✓ Visibility	✓ Product recognition	✓ Lack of customers	✓ Visibility	✓ Lack business skills	✓ Low levels of accessibility
✓ Lack of funding	✓ Stock prices	✓ Stock prices	✓ Stock prices		
✓ Economic recession	✓ Lack of business support	✓ Illegal immigrants	✓ Lack of unique business opportunity		
✓ Lack of unique business opportunity	✓ Lack of customers		✓ Lack of government support		
✓ Informal nature of business	✓ Labour costs		✓ Informal nature of business		
	✓ Economic recession		✓ Lack of proper management		
	✓ Accessibility		✓ Slow profit		
	✓ Visibility				

Overall, these businesses are faced with a number of factors impacting their businesses:

- ✓ Increased levels of competition – formal retail centres as well as increased numbers of smaller businesses / traders opening up in the area;
- ✓ Locations that are not visible and accessible;
- ✓ Physical business facilities not up to standard;
- ✓ Crime and theft;
- ✓ Lack of business management and general business skills;
- ✓ Lack of funding and knowledge to reinvest into businesses;
- ✓ Lack of business support;
- ✓ Lack of product / business recognition;
- ✓ Lack of product branding and marketing – to obtain competitive edge;
- ✓ High input costs.

Evidently, a number of these factors relate to required levels of business support – Table 12.17 summarises their awareness and requirements pertaining to business support.

**Table 12.17: Business Support**

	Jabulani Mall		Central City		Thula Plaza	
	Within 2km	2 to 5km	Within 2km	2 to 5km	Within 2km	2 to 5km
Aware of business support organisations	✓ 36.6%	✓ 40.5%	✓ 20.9%	✓ 56.3%	✓ 26.4%	✓ 33.3%
Been approached to participate in/undergo business management training	✓ 31.7%	✓ 39.0%	✓ 11.6%	✓ 56.0%	✓ 22.2%	✓ 28.6%
Training would enable business to grow and locate in modern shopping mall	✓ 92.7%	✓ 97.6%	✓ 87.8%	✓ 93.6%	✓ 90.7%	✓ 95.2%
Would accept training if offered	✓ 80.5%	✓ 92.7%	✓ 93.3%	✓ 97.6%	✓ 92.2%	✓ 86.4%
Dominant business support needs	<ul style="list-style-type: none"> <li>✓ Business planning advice</li> <li>✓ Legal advice</li> <li>✓ Network forums</li> <li>✓ Financial support</li> <li>✓ Product research and information</li> <li>✓ Marketing assistance</li> <li>✓ Physical facilities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Financial support</li> <li>✓ Physical facilities</li> <li>✓ Network forum</li> <li>✓ Product research and information</li> <li>✓ Communication assistance</li> <li>✓ General business skills training</li> <li>✓ Marketing assistance</li> </ul>	<ul style="list-style-type: none"> <li>✓ Financial support</li> <li>✓ General business skills training</li> <li>✓ Physical facilities</li> <li>✓ Marketing assistance</li> <li>✓ Technical advice</li> <li>✓ Network forums</li> <li>✓ Business planning advice</li> </ul>	<ul style="list-style-type: none"> <li>✓ Financial support</li> <li>✓ General business skill training</li> <li>✓ Business planning advice</li> <li>✓ Market assistance</li> <li>✓ Legal advice</li> <li>✓ Product research and information</li> <li>✓ Physical facilities</li> <li>✓ Communication assistance</li> </ul>	<ul style="list-style-type: none"> <li>✓ Financial support</li> <li>✓ General business skills training</li> <li>✓ Business planning advice</li> <li>✓ Legal advice</li> <li>✓ Marketing assistance</li> <li>✓ Product research and information</li> <li>✓ Communication assistance</li> </ul>	<ul style="list-style-type: none"> <li>✓ Financial support</li> <li>✓ Communication assistance</li> <li>✓ General business skills training</li> <li>✓ Business planning advice</li> <li>✓ Product research</li> <li>✓ Networking forums</li> <li>✓ Physical facilities</li> </ul>

It is evident from these findings that there is no clear cut answer with regard to the impact of formal retail centre development in second economy areas – within an urban or rural setting. It is not a straight positive or negative answer.

The dominant negative impact induced by formal retail centre development is increased levels of competition. This, however, induces a number of positive impacts – increased consumer volumes along access roads towards the centre, access to banking facilities, improved supplier linkages, easy access to stock and increased levels of security in proximity to the centres.

Business growth and relocation to formal retail centres are largely the result of the lack of required business management and financial skills in order to develop the local business into a profit turning business which is firstly able to apply for space in these centres successfully (i.e. to submit a business plan with time series business information), and secondly, to afford the exorbitant rentals in these centres.

Overall, it is anticipated that the impact of formal retail centre development can be softened by means of effective business support measures aimed at assisting local business development – resulting in an upward shift along the business sophistication scale. This will represent a continuous development programme and not just a once-off project.