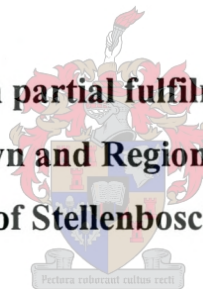


**FORMAL RETAIL AS A STRATEGY TO ENHANCE THE
QUALITY OF LIFE IN MARGINALIZED COMMUNITIES**

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**An assignment submitted in partial fulfilment of the requirements for
the Degree of Master of Town and Regional Planning at the University
of Stellenbosch**



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DECLARATION

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and has not previously, in its entirety or in part, been submitted at any university for a degree.

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ABSTRACT

Of all the strategies available to help eradicate poverty and enhance the quality of life of people living in marginalized communities, the provision of a formal retail centre would not stand out as a number one strategy. Nevertheless, the Nomzamo Business Centre was built as part of a local economic development initiative to help local businesses to develop.

The primary goal of this study was to establish whether the residents of Nomzamo perceived the development of the centre as a contributing factor towards improving the quality of their lives. Although the retail sector is well represented in these marginalized communities, in the form of spazas and other informal businesses, these businesses desperately lack the bearings of formality. The Nomzamo Business Centre provides a formal business premises at affordable rates, for local business people and gives them the opportunity to develop skills through business training courses and the provision of information.

As the study concludes, the residents of Nomzamo perceived the centre as an enhancement towards their quality of live, even though many of them still do not make use of the centre. Established shopping habits are hard to brake especially if the centre does not provide any real magnetism. The centre failed to attract an anchor tenant and although Eskom's presence at the centre does provide some form of attraction, the benefits have not yet spilled over to the other shops.

At this stage the Nomzamo Business Centre cannot be deemed a success. The centre fails to compete with local informal businesses. What is needed in most of these communities however is a change in the local economic structure. Local economies in most cases are retail based, with no or little representation in sectors like manufacturing. Although the Nomzamo Business Centre will not contribute much towards a more balanced local economy, it does provide the foundation for future changes to take place.

OPSOMMING

Van al die strategieë beskikbaar om te help met die uitwissing van armoede en die verbetering in die kwaliteit van lewe van mense wat in marginale gemeenskappe bly, sal die voorsiening van 'n formele kleinhandelsentrum beslis nie as 'n nommer een strategie bekend staan nie. Nogtans is die Nomzamo Besigheidsentrum, geleë tussen die Strand en Gordonsbaai, gebou as deel van 'n plaaslike ekonomiese ontwikkelingsinisiatief om plaaslike besighede te help ontwikkel.

Die primêre doel van die studie was om vas te stel of die inwoners van Nomzamo, die ontwikkeling van die sentrum as 'n bydraende faktor in die verbetering van hul lewenskwaliteit waarneem. Alhoewel die kleinhandelsektor goed verteenwoordig is in die marginale gemeenskappe, in die vorm van spaza-winkels en ander informele besighede, ontbreek die besighede aan die nodige formaliteit. Die Nomzamo Besigheidsentrum bied 'n formele besigheidperseel teen bekostigbare tariewe vir plaaslike besighede en gee hulle die geleentheid om vaardighede te ontwikkel, deur kursusse in besigheidsopleiding en die voorsiening van informasie.

Die studie kom tot die gevolgtrekking dat die inwoners van Nomzamo wel die sentrum as 'n verbetering in hul lewenskwaliteit waarneem, selfs al maak meeste van hulle steeds nie gebruik van die sentrum nie. Gevestigde inkopie gewoontes is moeilik om te verander, veral as die sentrum geen werklike aantrekking bied nie. Die sentrum het misluk in die poging om 'n anker huurder te lok en alhoewel Eskom se teenwoordigheid by die sentrum, 'n vorm van aantrekking bied, het die voordele van Eskom se teenwoordigheid nog nie na ander winkels oorgespoel nie.

Op hierdie stadium kan die Nomzamo Besigheidsentrum nie as 'n sukses verklaar word nie. Die sentrum misluk om met plaaslike informele besighede mee te ding. Wat egter benodig word in die gemeenskappe is 'n verandering in die plaaslike ekonomiese struktuur. Plaaslike ekonomieë is in meeste gevalle op kleinhandel gebaseer, met min of geen verteenwoordiging in sektore soos vervaardiging nie. Alhoewel die Nomzamo Besigheidsentrum nie sal bydra tot 'n meer gebalanseerde plaaslike ekonomie nie, bied die sentrum 'n platform vir toekomstige veranderinge om op plaas te vind.

DEDICATIONS

Dedicated to the children of Agape, Grabouw.

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1. INTRODUCTION

1.1 PROBLEM STATEMENT

*“The rights enshrined in our new Constitution will be empty and our democracy will remain fragile, if they do not bring with them improvements in the lives especially of those who bear the burden of poverty and inequality. Poverty brings hunger, disease, inadequate shelter and homelessness. It hinders the education of children and leaves them on the margins of our society, **squandering a wealth of human potential** to contribute to the building of a prosperous South Africa. As a caring society, we cannot fold our arms and leave this blight on the lives of millions of our people. That is why, as a government, we have declared war on poverty”* former President Nelson Mandela speaking in 1996 at the International day for the Eradication of Poverty.

Of all the strategies available to help eradicate poverty and enhance the quality of life of the poor, the provision of a formal retail centre would not stand out as a number one strategy. More houses, better health services and improved education, are always seen as the only way forward to a better life. Nicole Barnes (1998:1), from the Urban Problems Research Unit of the University of Cape Town, also saw the improvement in the quality of life of township dwellers as one of the most perplexing and challenging issues facing South Africa today.

Barnes (1998:1) asks the question if retail centres could really enhance township economic development. She focussed her study on the development of the Sanlam centre in Kayalitsha, one of Cape Town’s largest townships. In her findings Barnes (1998:55) concluded that the private sector could be more involved in improving the quality of life of township dwellers, by establishing themselves in these previously disadvantaged communities. Irrespective of their profit motive the presence of a formal retail centre within a marginalized community brings forth many public benefits.

This led to my interest in retail as a strategy of enhancing the quality of life of people living in marginalized areas. The focus of Barnes' study (1998:1) was not to prove townships as fertile markets for private sector investment, but rather to examine the impact of such an investment on the community at large and to see if it has contributed to a better quality of life for its residents.

1.2 PURPOSE

The purpose of my study is to look at the impact of a small, formal retail centre located in an informal, marginalized community, where most of the tenants of the centre are local business people. I will seek an answer to the questions: will a formal retail setting (centre) contribute towards improving the quality of life in the community and can formal retail be used as a strategy to enhance the quality of life of people living in marginalized areas.¹

1.3 METHOD

The way in which I will try and find answers to these questions would be to firstly explain exactly what is meant by the different concepts that make out the title of this study. Concepts like formal retail, quality of life and marginalized communities are all vague concepts, without exact definitions.

Next, the theory behind retail location decision-making, both from the perspective of a larger retail firm as well as a smaller retail shop, will be discussed. Strategies available to government to assist small businesses will also be discussed. With this information in mind I will look at a very interesting business development that I came across in the small informal community of Nomzamo, in the Helderberg basin near Cape Town. By way of conducting personal interviews with the tenants, I will try and establish what their perception of this centre is. Do they feel that it contributed to the enhancement of their quality of life?

¹ The focus of my study would not be too look at the impact of a large retail shopping centre, where most of the tenants are outside investors, which was the focus of Barnes study (1998:1).

Lastly I will conclude on whether I found formal retail development to have a positive impact on the quality of life in a marginalized community. I will also make suggestions on ways in which small business owners can be supported to make a success of their business.

2. DEFINING CONCEPTS

In order to understand the ideas and thoughts of the author it is important to understand how he interprets the various concepts related to this project. Most of these concepts are rather vague and still open to debate. That is why it is important to explain these concepts beforehand to avoid any misunderstanding.

2.1 THE QUESTION: QUALITY OF LIFE?

In the run-up to South Africa's first democratic elections in 1994, South Africans were promised many things, including "a better life for all". But who will decide what a better life is? Most politicians think they know exactly what the people want, but mostly they only know what will get them re-elected in the new term.

Moller (2001) suggests using social indicators as a tool for promoting transparency and accountability at all levels of government. Governments are developing what they call key performance indicators. This is to help them identify and prioritise needs, in order to create a physical and social environment conducive to satisfactory urban lifestyles. Key performance indicators are also a manner in which metropolitan quality of life can be sustained in the longer term (Moller, 2001).

Because of raised expectations the task of government to satisfy the expressed needs of its citizens becomes so much more difficult. Wey, as quoted by Moller (2001), makes a distinction between the concepts Quality of Life and Quality of Place. According to him Quality of Place aims to discover what attributes of cities taken together make for optimal quality of life. Indicators, which are believed to be representative of quality of life, are identified, such as climate, state of health care, level of crime, availability of recreation facilities, employment possibilities and cost of living. Sets of indicators are developed under these headings. Indicators are scored and the scores are assigned weights and summed to produce a total score, intended to represent overall quality. Cities can then be rank-ordered according to their scores (Moller, 2001).

The Quality of Life approach, on the other hand asks the question: how do residents rate their own city? The focus of the Quality of Life approach is thus on the assessments of the city residents themselves and their evaluation of the “good” city and liveability. Whereas the Quality of Place approach uses objective indicators, which are tangible facts, the Quality of Life approach uses subjective indicators, like personal judgements about objective conditions (Moller, 2001).

According to Diener and Suh, as quoted by Moller (2001), both objective and subjective indicators are needed to fully understand human quality of life and to make informed policy decisions. The correlation between subjective evaluation and objective attributes is not perfect, which is precisely the rationale for taking Quality of Life studies (Moller, 2001)

Trying to enhance the quality of life in marginalized communities, one should first ask the question: what do the people perceive as measures that will enhance their way of living. Using both objective and subjective indicators one can determine what it is that people would want to have improved in their community, whether it is housing, natural environment or health services.

2.2 MARGINALIZED COMMUNITIES

Racial segregation and inequality are still the primary features of any post-apartheid city. Almost all African, Indian or Coloured townships established under Apartheid continue to be inhabited overwhelmingly or solely by their racial category almost a decade after the African National Congress took the lead in South African politics (Morris, 1998).

Although Apartheid left a legacy of poverty, poverty cannot be distributed equally amongst all inhabitants, against who there was discriminated. Most urban Coloureds and Indians, against who there was also discriminated, do not feel the severity of poverty like most Blacks, which have just arrived from the rural areas of Transkei and Ciskei, feel it. Most of these people arrive amidst an onslaught of urbanisation with which government is failing to cope.

Allowing the development of shacks enabled the government to rest itself of the responsibility for black housing and allows migrant workers to get closer to economic opportunities. Informal settlements have sprung up over night, sometimes in areas that have been illegally settled and that have minimal service provision. Site and service settlements are also found throughout South Africa, where residents are provided with a site and basic services, like a tap, a toilet and at times a basic foundation. It is the household's own responsibility to erect whatever structure they can afford.

In the informal and site-and-service settlements, homes are small, often consisting of just one room, built from corrugated iron or any type of conventional material and have a density level of about three people per room. Usually the room would also function as a bathroom and kitchen. Low household incomes are at the order of the day. It is not only due to low wage levels, but also due to the extremely high levels of unemployment persistent in these communities.

Unemployment seems to be worst amongst the young (under twenty fives) in these communities, although their levels of formal education are far higher than most of their older counterparts. This leads to escalating crime and worsening conditions in these marginalized communities (Morris, 1998).

2.3 FORMAL SECTOR AND RELATED SMALL, MEDIUM AND MICRO ENTERPRISES

A stubborn myth exists that small business equals informal business. Everyone seems to have caught the idea that small business is the answer to our unemployment problems, but for most the words "small business" conjure up an image of someone sitting on the pavement selling socks (Terblanche, 2002). Making a clear distinction between all these concepts will enable us to find an answer to the question, whether a formal retail centre can contribute to the quality of life in marginalized communities.

Defining the concept “formal sector”, one is obliged to first make a distinction between the formal- and the informal sector. According to Terblanche (1989:4), there are numerous ways to draw a distinction between the formal and informal sector. Initially the emphasis was placed on the dualism of the economy. The informal sector was seen as a distinctive separate part of the capitalist system. Within this dualistic approach the one way of drawing a distinction was on the basis of using various characteristics like capital, salaries and working-hours. This approach saw the informal sector as a temporary transition phase, though later studies proved it not to be the case.

A more practical approach would be to use a set of criteria to draw a distinction between the formal- and informal sector. The way to approach this is to broadly define the type of business and then to collect information about the various aspects of the business. By using a checklist every type of activity can be evaluated according to the criteria. An even easier way would be to just use one characteristic, such as, is the business legal or not. According to the Presidential council, the informal sector can be described as an: *“unlicensed activity of commerce and production on various premises and circumstances what is not acceptable to the law”* (Terblanche, 1989:7). I agree with Terblanche who said that this type of definition is too vague and cannot be used with success in South African cities.

Nattrass, as quoted by Terblanche (1989:7) uses a more realistic approach by not making such a sharp distinction. She sees the informal sector as a common factor between the marginal businesses, the cyclical unemployed and the formal sector. Her criteria made three broad distinctions: the scale, the capital/labour-ratio and the relationship in terms of law and regulation. The assumption is applied that only two of the three criteria has to fit in order for a business to be classified as informal or for that matter formal. If an industry is run on a small scale, is labour intensive with self-employment and operates within the official rules and regulations of the authorities it can, according to her, be classified as informal.

In an article by Rogerson & Rogerson (1997), making a distinction between three different kinds of small enterprises might help us to make an even better distinction between the formal- and informal sector. Firstly they refer to the Survival enterprises of the informal economy. Unemployed people, who are unable to find regular employment, mostly undertake these activities just to get by. Incomes usually fall short of minimum standards, little capital is invested, skills' training are minimal and few prospects exist for upward growth into a viable small business enterprise.

The second category of businesses, which Rogerson & Rogerson refer to, is micro enterprises, which represent very small enterprises that often only involve the owner, a family member and at most four employees. Although such businesses frequently lack the trappings of formality, such as licences or formal premises, and the entrepreneur sometimes only have rudimentary business skills and training, many (though not all) micro-enterprises will make or poses the ability to make the transition into a viable small business. The best prospects for micro enterprise development in urban South Africa currently are in the realms of production– or construction-linked activities and taxi and shebeen operations, including supportive enterprises.

The last category of business, referred to by Rogerson & Rogerson, is the small enterprises, which constitute the basis of the formal small business economy. The Small Business Enabling Act of 1995 defines small business as those with fewer than 50 employees (Terblanche, 2002) Enterprises are usually owner-managed, operate from fixed premises and fulfil all the trappings associated with formality.

I agree with Rogerson & Rogerson about how they define small enterprises, micro enterprises and survival enterprises in terms of this writing. With regards to defining the formal sector, I want to follow the same path that is suggested by Terblanche (1989:9), to set up criteria too which this sector has to apply. I suggest that for any business to be classified as formal, it must adhere to both the following criteria, namely:

- that the enterprise be situated in a formal business premises and
- that the enterprise adheres to all the necessary rules and regulations.

It is important to understand that any one of the three categories of small enterprises, namely survival enterprises, micro enterprises and small enterprises can be either formal or informal. It is rather less likely for a survival enterprise to be formal than for a small enterprise to be informal. Survival enterprises struggle to exist within the boundaries of formality. Small enterprises on the other hand can find it easy to exist in the realms of informality, by either not operating out of a formal business premises or not adhering to the necessary rules and regulations.

2.4 THE RETAIL SECTOR

Terblanche (1998:2) describes retailing as the business activities or steps required to sell goods or services to final consumers for use or consumption by themselves, their families or their households. He therefore sees retailing as a business that focuses its marketing on the final consumer with the intension of selling goods or services to them. No matter how the product is sold to the final consumer, for example in the shop, by telephone, or door-to-door, the business still remains a retail institution. The reason, however, why a product or service is purchased will determine whether a particular transaction will be regarded as a retail sale or not. Sales to buyers, who will not use the product or service as a final consumption, will not be regarded as a retail transaction.

2.4.1. RETAIL IN SOUTH AFRICA

Retail in South Africa has entered an exiting phase coinciding with the demolition of the Group Areas Act. Under Apartheid rule, strict, racial centred laws governed all aspects of life in South Africa including retail. The predominant benefactor of this system was the white minority, who under apartheid rule was allocated most of the urban territory as well as other prime locations.

South African retail boast with one of the most diverse systems of retail institutions in the world today. Retail in South Africa ranges from the sophisticated hypermarkets and regional shopping centres to the uniquely South African **spaza store** and informal traders who sell their range of merchandise on city pavements. Retail space in South Africa is regarded in some opinions, as the most intense in the world. While per capita shopping

space in South Africa is regarded as one of the highest in the world, it is not true for all South Africans. Apartheid laws kept retailers and consumers of different races apart; which resulted in inadequate shopping facilities in the black townships and an oversupply in traditionally white areas (Terblanche, 1998:27)

According to Terblanche (1998:27) there is sufficient evidence to indicate that the disposable income of the so-called black market is growing. He quoted a 1995 study that indicated the Black market was already worth twice as much as the White market. Shopping centre developers are progressing with caution since the evidence suggests that residents of the traditionally black areas are still shopping in the central business districts of most cities and towns.

Some developers have taken the bull by the horns and went for the development of smaller centres (under 15 000 m²) in traditionally black areas (Terblanche, 1998:27). Norwich properties and the Commonwealth Development Corporation (DCD) opened the first two convenience centres in Soweto - roughly the equivalent of a small Pick & Pay or Spar centre that is commonly known to most previously white suburbs. The two centres, known as Dobson Point and Protea Point are both about 3 000 square meters and house mainly grocery stores as well as fast food-, liquor- and hardware stores. Both centres also have a dry-cleaner, butchery, hair-salon, video store, auto-bank and a doctor's consultancy (Muller, 1997).

Black townships have always been seen as high risk/ low gain investment areas. Many centres that have already been built in these black townships have not been as successful as previously hoped. Until now most of these developments have focussed on community centres in excess of 15 000 square meters, that is too big and far apart to supply in the daily needs of the consumer (Muller, 1997). Developments are also so few that marginalized people who live on the outskirts of most towns still have to travel great distances just to get their shopping done.

Even though informal trade is well established and serving these communities well, one cannot help to wonder whether a more formalized retail development would not benefit both retailer and consumer, enhancing the quality of life in these marginalized communities. One would, however, have to proceed with caution, as developments of this nature can be viewed as threats by the local business elites.

3. RETAIL LOCATION THEORY

According to the adage the three most important factors in retailing are location, location and location. The importance of location for any type of retailing business cannot be stressed enough. In order to understand retail location decision making, one is obliged to first understand the concept of marketing.

Marketing is the reason for the existence of retail institutions. Marketing can be defined as the development and the efficient running of the distribution of goods and services for consumers. It helps to overcome the spatial gap that exists between the producer/manufacturer and the consumer. Retail institutions thus provide a service at a cost, to help overcome these gaps, which exists, of which the spatial gap is merely one. According to Jones & Simmons (1990:147), the location decision of retail institutions focuses primarily on people, place and physical distribution.

The location of the consumer, their numbers and their relative affluence are the starting points in any equation that determines the number and variety of retail outlets in any area. Widely dispersed households result in a restricted variety of stores. From a retailer's point of view, the scale of operation and the variety of product lines are directly determined by the spatial distribution of consumers (and competitors). Retail activities play a growing role in shaping the environment in which we all live. **Inevitably, the quality of our lives partly reflects the quality of this sector** (Jones, 1990:38).

3.1 RETAIL LOCATION DECISION MAKING

The location of a store is such a fundamental investment decision that it is crucial to evaluate a store's or a set of stores' market potential and competitive position, before such investments are undertaken. Whether the investment is for a regional shopping centre worth millions of Rands or whether it is just a local shopping hive worth a hundred thousand Rands, the location of the stores plays a crucial role in the success of the investment.

In the past, retail investors deemed the building in which the retail activity would be housed a primary investment. Now the focus of the investment has shifted to turnover and profit margins. Retailers are looking primarily at how well the business is doing and do not care about investments made in buildings. The reason being that buildings are least flexible investments and if quick cash is needed to take an opportunity such funds are tied up in assets (Beaumont, 1988:1).

Retailers have to make the important decision about where to locate on two different levels. Firstly, on a settlement scale the entrepreneur has to select the city or town where the store will locate. This takes place on a national scale, where regional economics play an important role in the decision making process. Secondly, on a retail structure scale, the retailer has to identify a particular neighbourhood or site to locate to. Two essential differences distinguish these two levels of location decision (Jones, 1990:86).

A difference can firstly be found in the market size and trade area influencing the location decision. At the settlement level the market size and trade area are determined by the size and spatial structure of the settlement. If a retailer decides to locate in a rural area, the retailer has limited chances to modify the market size, since the secondary trade area, extending into the countryside, is severely constrained by distance (Jones, 1990:86).

Within a larger metropolitan area however, local markets are often determined by the size of an urban market segment, which in turn is defined by income, age or ethnicity. Locating within a larger metropolitan area allows the retailer to benefit from secondary trading. More people come from outside the metropolis to do their purchases there. Retailers can also easily change their product mix to enlarge their market segments, something that is not always possible in a rural settlement (Jones, 1990:97).

Another difference between these two levels of location decision lies in the cost of land. Decisions to locate in one settlement instead of another are relatively unaffected by the actual site cost of the land or the land rent which will not vary greatly from one city to the next. However, within the urban area this cost may vary greatly and play an important

role in site selection. Because primary market areas are bounded in space by the decline in population density at the edge of the settlement, the market size is an overwhelming consideration in a firm's market selection and location decision. The cost of locating at the edge of a settlement can however be very cheap, leaving the decision maker with a tough choice to weigh up against the higher cost, of locating in a more accessible location in the centre. Retailers are torn between the benefits and cost of market size (Jones, 1990:118).

We can already see that whether we work on a settlement or an intra-city scale a retail hierarchy is bound to develop. A necessary preliminary before any discussion about retail hierarchy can take place, is to define the term "centre" since it carries a variety of connotations. A retail shopping centre can either signify a concentration of retail and shopping activities, like the central business district of a town, or the concentration of different shops within one large building complex (a shopping mall). In this context the retail centre carries more of a morphological meaning.

A retail shopping centre can also signify a nucleus or the geographical middle point of a market area that can be calculated by means of a formula. In this case the retail centre only refers to a function of being located within the closest possible distance to each possible client within the market area (Scott, 1970:73).

Different writers have developed different hierarchical structures to illustrate retail location decision-making on either a settlement or a retail structure scale. Hillier Parker's shopping centre hierarchy consists of five categories namely: national, regional (class1 and class2), district, local and minor shopping centres. This structure illustrates retail location on a settlement scale. Retail hierarchical structures that illustrate a shopping system on a retail structure scale include in order: the central business district, regional centres, community centres, neighbourhood centres and local convenience centres, where the central business district would sell more durable goods, while the local convenience centres would sell convenience goods (Terblanche, 1998:189).

Consumers are attracted to shopping in larger markets because of the diversity and specialisation that occur there. As the size of the market increases retailers counter their competition by expanding the size of their store to take advantage of economies of scale, or by becoming more specialized in a limited number of products or clientele. Researchers have observed that the amount of different businesses found in a city or town is related to the logarithm of the number of stores or retail sales (Jones, 1990:67).

There is thus a direct correlation between the amount of sales and/or stores and the variety of shops found in the area. As market size increase businesses move up the retail hierarchy becoming more specialized. Larger markets also allow retailers to increase their sales per store. Access to a larger number of customers brings into operation all the benefits of economies of scale (Jones, 1990:72).

3.2 THE COMMERCIAL STRUCTURE WITHIN THE METROPOLIS

In 1933 the German scholar Christaller formulated the central place theory, which deals with the location of settlements as centres of service to a surrounding population. The village or town that emerged in rural areas, he argued, depended precisely on the demand for goods and services that was generated in the surrounding area and therefore one could predict the spatial pattern of retail activities. Although the central place theory was formulated as a theory to be applicable to rural areas, the theory can also be applied to urban areas (Jones, 1990:54).

The diversity of lifestyles within a large urban area, the neighbourhoods stratified by social class, race and ethnicity and the relatively short distances between consumers and shopping facilities, have led to a bewildering variety of retail groupings, totally different from the pattern found on a settlement scale. Jones & Simmons refer to the junk food arterial strip, the automobile row, the flashy boutique area, Chinatown or Greektown, the utilitarian suburban plaza, the theme mall and the linear retail strip of the inner city are all familiar variants of the metropolitan retail structure (Jones, 1990:145).

Shops vary both in trading characteristics and organisation and because markets vary in their composition there evolves a pattern of shopping centres varying in size and structure. In an urbanised landscape retail shops can range anywhere from the corner store to the most highly sophisticated shopping area (Scott, 1970:37).

On the settlement scale, great variation in the size of settlements and in the distance to alternative centres imposes some strict regularities on the retail patterns observed within the regional settlement system. The size and spacing of central places is severely restricted. When these two constraints are removed, as they are within a large metropolitan region, retailing activities take on an amazing variety of forms.

Given the variety of retail and service activities within the city – stores of different sizes and descriptions, clustered in a variety of ways from downtown locations to the neighbourhood convenience store to shopping malls – it is rather difficult to describe and generalize these patterns of retail activities and to classify them. Jones & Simmons (1990:183) identified four methods to help classify retail activities within a city. These are:

- the morphology or the spatial form of the cluster,
- the functional composition of the business type in the cluster (e.g. large centres contains more specialised activities),
- the composition of the market that they serve (e.g. serving homosexuals, blacks, woman, elderly, youth) and
- the ownership pattern that differentiate planned and unplanned centres.

Most classifications include each of these characteristics to some degree. In table 3.1 Jones & Simmons refer to the varying morphology of the metropolitan retail cluster.

**TABEL3.1: THE VARYING MORPHOLOGY
OF THE METROPOLITAN RETAIL CLUSTER**

UNPLANNED NODES	RETAIL STRIPS	PLANNED CENTERS
METROPOLITAN		
Central business district (a)	Downtown pedestrian mall (a)	Super-regional (a)
Specialized product area e.g. furniture, fashion (b)	Speciality retail strips, e.g. entertainment (b)	Downtown fashion mall (b)
	Ethnic shopping street (b)	Theme mall (b)
REGIONAL		
Arterial intersection (a)	Automobile row (b)	Regional mall (a)
Downtown of older suburb (a)	Furniture strip (b)	Pedestrian mall at major intersection (a)
		Superstore (b)
		Discount mall (b)
COMMUNITY		
Street intersection (a)	Shopping street (a)	Community mall (a)
	Fast food strip (a)	
NEIGHBOURHOOD		
Corner cluster (a)	Suburban strip mall (a)	Neighbourhood plaza (a)

Note: Items marked (a) serves spatial markets, (b) serves specialised markets.

Market size increase as one moves from neighbourhood to metropolitan scale.

Source: Jones & Simmons.

Table 3.1 divides retail activities into three clusters, namely: the unplanned nodes, the retail strips and the planned centres. Each of these can be found throughout the metropolitan city on different scales, namely on a metropolitan-, regional-, community- or a neighbourhood scale.

The Metropolitan retail structure as it is manifested in our cities today has come a long way and has been greatly influence by the development of the private automobile motorcar. In order for us to try and understand what life in a marginalized community is like we will need to go back to a time when private car ownership was at a minimum.

Pre-Second World War cities can give us a good indication of what life in cities was like without the comforts of owning your own car. Many households did not own a fridge and had to shop daily for their food. Nearby food stores were a necessity. Networks of public

transit facilities developed along major arterial streets defining nodes of higher accessibility within the metropolis. The result of these behavioural constraints was an intra-urban retail hierarchy, similar in many ways to the one observed in a settlement system.

Retail nodes became easily identifiable, ranging from the corner store to the downtown-shopping district. The mix of stores can be directly linked to the size of the centre, as was found with the settlement pattern. Each node serves a relatively well-defined spatial market proportional to its size and the centre can be ordered into a hierarchy with downtown being the area of highest rank. In pre-war years these outlying, unplanned centres served large and well-defined spatial markets.

Numerous similarities could be found between retail location on a settlement pattern scale and on an intra-urban scale, but there are just as many differences. Because of the finite, circular extent of the built up area as a whole, market accessibility tends to be greater towards the centre of the metropolis. Competing stores tend to enlarge their market shares by moving closer to one another. The density of stores is thus much higher within the centre than at the periphery, a phenomenon referred to as centripetal powers.

Another difference between retail location on a settlement scale and retail location on an intra-urban scale is that neighbourhoods are much more differentiated in terms of income and social class than settlements scattered throughout the rural landscape. Markets in a wealthy section of the city can purchase as much as ten times the amount that a market in a low-income area of the same size would purchase.

The intra-urban retail hierarchy actually accounts for a very small proportion of urban retail facilities. The majority of urban retailers still operate in relative independence in a variety of retail strips or less structured districts that serve specialised sub markets (Jones, 1990:151).

3.3 RETAIL LOCATION PRINCIPLES

According to Terblanche (1998:183) there are certain principles of retail location that must be followed, when a retailer wants to establish a new store.

- **THE ADEQUACY OF THE PRESENT MARKET AREA POTENTIAL**

The market area potential is calculated by counting the people in the market area and determining their purchasing power as well as their willingness to spend money on the type of goods or services offered by the shop.

- **THE ACCESSIBILITY OF THE SITE TO THE MARKET AREA**

The reason for selecting a specific site is to secure maximum accessibility to the market area. Accessibility must be measured in terms of the source of various types of business. Three types of business, namely generative, shared and suscipient business are found.

Generative business is generated by the shop itself, through effective advertising and promotion, while shared business is business flowing from the generative power of a retailer's neighbours. Suscipient business is neither generated by the shop itself nor by neighbouring shops. This business emanates from consumers whose primary purpose for being at or near the shop, is other than buying, e.g. visiting the post office.

- **THE GROWTH POTENTIAL OF THE SHOP**

Future increases in total business volume are needed to maintain profits or to increase, because of constant pressure from competition. A good site should therefore be located in a market area with a growing population and income.

- **BUSINESS INTERCEPTION**

When a site is selected in accordance with the principle of business interception, the procedure requires a shop to be established between the market and the market

place. It is easier to stop consumers along their route than it is to pull them off or away from an established route.

- **CUMULATIVE ATTRACTION**

Two types are found: the first type is where similar units together draw more business than they may do on their own. The second type is complementary units which consist of compatible units with a high incidence of customer interchange. Shared business is found in both instances.

- **COMPATIBILITY**

The principle of compatibility requires that there must be no interruption in shopper traffic and that customer interchange be maximised. High compatibility may result from business, which are complementary in nature or because they are in competition, offer merchandise of different styles, lines and prices and as such increase total patronage through cumulative attraction.

- **MINIMIZING OF COMPETITIVE HAZARDS**

The principle of minimising competitive hazard should lead the retailer, all other things being equal, to:

1. select a location as far away as possible from competitive sites or to
2. select a location, which makes it difficult for competitive sites to intercept business.

- **SITE ECONOMICS**

This principle requires an analysis of the site in respect of the relationship between its cost and its productivity. This evaluation requires an examination of the availability of services, the site characteristics and adjacent amenities.

3.4 THE CATCHMENT AREA DEFINED

In order for any retailer to make the important decision about where to locate, he must first know who his target market is. A target market is a set of consumers, which must be

grouped in some way. Consumers can either be grouped according to location, income, demographics or lifestyle.

Grouping consumers according to location means that the market can be contained within a spatially defined area. Grouping consumers according to income means looking at the level of income or the income mix of the market. Because high-income households consume so much more per capita than poor households, the relative share of each group is an important aspect of market size. Consumers can be grouped according to demographic features of age, sex and race or according to lifestyle, which identifies the existence of a sub-market with distinct preferences such as homosexuals, punk or environmentally conscious markets (Jones, 1990:63).

The catchment area of a store is the set of consumers (the market) that can be grouped according to location. Because people tend to live within close proximity of people with the same income, race or age as themselves, defining the market according to their physical location will be satisfactory for the purpose of deciding where the store will locate. The definition of a store's catchment area therefore, underlies any store location analysis and it is of fundamental importance that the definition be accurately specified. According to Beaumont (1988:9) a store's catchment area can be defined as the area from within which customers patronise a specific store or shopping centre.

According to Terblanche (1998) numerous definitions of the catchment (market) area identify the following:

- The territory from which an outlet can secure a considerable part of the purchases made by consumers.
- The size of the area varies with the type of good offered.
- The area from which a shop gets its business within a given span of time.
- The area within which it is economical in terms of volume and cost for a retail outlet to sell and/or deliver a good or service.

- The area which contains potential consumers, in respect of whom there is a greater than zero probability of them purchasing a given class of product or services offered by a retail outlet.

Thus the catchment (market) area can either be the region inside which the consumer may expect to find goods and services or the area within which the retailer sees it economical in terms of volume and cost to sell and/or deliver goods and services. The distance that consumers are prepared to travel to various shopping areas vary for different types of products. Consumers are not prepared to travel great distances for products they perceive as convenient, like cigarettes, bread or newspapers. Consumers will however travel very long distances for products they perceive as specialised. The “pull” of a shop is thus influenced by the type of product sold and by the proximity of competing stores (Terblanche, 1998:199).

Although markets can be delimited in space on two spatial scales, namely the urban settlement scale or the metropolitan or city scale, this thesis will only focus on the city scale and smaller, examining on community and neighbourhood level. On a metropolitan or city scale five kinds of boundaries, to define the catchment area, are relevant. Boundaries can either be a result of **institutional or natural causes, or due to the spatial distribution of households (the density of settlement), the spatial decay pattern imposed by transportation cost or as a result of the action of competitors** (Terblanche, 1998:35).

Since the deduction of the central place theory the broad concept of a hierarchy for shopping centres has had wide acceptance. According to Terblanche (1998:35) the “deracialising of space” in the post-apartheid era has brought about the development of a variety of retail formats. Different centres or shops in a hierarchy serve distinct market areas with differentiated assemblages of goods and services. Although such a hierarchy does have shortcomings, such as overlapping catchment areas and multi-purpose trips, such ordering can be very useful in practice.

To accurately define the catchment area, it is important that functional definitions of distance, specifically time and cost are acquired. Within the contexts of this study, it is important to note that, according to the Muni-spatial development framework (1996:22), distance is defined in terms of walking time and access to public transportation. Movement on foot describes the reality of large numbers of Cape Town's citizens – many cannot afford alternatives. Increasing convenience within walking distance and increasing access to public transportation is priority for the Cape Town Municipality. Convenient walking distance, when applied to Cape Town, is regarded as 2.5km where 12 minutes per kilometre is assumed this gives a maximum walking time of 30 minutes.

These definitions are vastly different from the conventional first world definitions based on privately owned car orientated travel times. Other sources of catchment area definitions include categorizing catchment areas according to food or non-food purchases or any other kind of categories (Terblanche, 1998). Most of these approaches are conveniently based on home-based shopping trips. Many trips are however work-based shopping trips, when the purchase of convenience and perishable goods are made.

With all of this in mind it is important to question the relevance of a 30-minute walking time with reference to this writing. Most of the shopping done in a marginalized community can be classified as convenience shopping. People are not prepared to walk 30 minutes to a shop to buy a convenience item. That is why so many informal retail shops have sprung up in these communities, to satisfy the need for convenience shopping. As far as convenience shopping is concerned I believe a 10-minute walking time at most or one kilometre distance is relevant to help demarcate the market area.

3.5 METHODS FOR THE DELINEATION OF MARKET AREAS

According to Terblanche (1998:207) there are three major groups of methods that exist to delineate market areas. These are gravitational models, analogues methods and consumer surveys.

3.5.1 RETAIL GRAVITATION MODELS

Reilly was the first to apply the concept of gravity on commerce with the development of his "*Law of Retail Gravitation*". This law stated that two cities draw trade from a smaller intermediate city or town in more or less direct proportion to the first power of the **population** of these two larger cities, and in an inverse proportion to the square of the **distance** of each of the larger cities from the smaller intermediate city (Terblanche, 1998:200).

Converse took the work of Reilly further by developing a breakpoint between cities to allow for the exact location of a boundary to indicate the market area. Replacing population with floor area and distance with travel time, one can use this formula to demarcate the market area for a specific centre.

According to Terblanche (1998:201) the shortcomings of this applications like the fact that consumers have a choice as to the shop they want to visit and the fact that the market area varies for the type of goods sought, have led Huff to focus on the consumer rather than the retail outlet. His model describes the process by which consumers choose a particular distribution centre or shop to obtain specific goods and services from among acceptable alternatives.

Huff tries to establish what the probability is for a consumer at a point of origin i to travel to a specific shop j . The size of shop j is divided by the time it takes to travel from point i to shop j squared by a parameter. This parameter is estimated to reflect the effect of travel time on various kinds of shopping trips, for different kinds of products. People don't like to travel far for convenience products like cigarettes, chips or drinks, thus a large parameter would reflect this.

The formal expression of this model is:

$$P_{ij} = \frac{\frac{S_j}{T_{ij}^\lambda}}{\sum_{j=1}^n \frac{S_j}{T_{ij}^\lambda}}$$

Where P_{ij} = the probability of a consumer to travel from point i to shop j ;
 S_j = the size of shop j ;
 T_{ij} = the travel time involved in getting from point i to shop j ;
 λ = the parameter estimated to reflect the effect of travel time on shopping trips. The larger λ gets, the lesser time a person wants to spend acquiring that product, like cigarettes hence the market area gets smaller.

The expected number of consumers at a place of origin, point i , who shop at a particular shop, shop j , is equal to the number of consumers at i multiplied by the probability that a consumer at i will select j for shopping. That is:

$$E_{ij} = P_{ij} * C_i$$

Where E_{ij} = the expected number of consumers at i , likely to travel to shop j
 C_i = the number of consumers at i .

With the expected number of consumers in each area, who is likely to travel to shopping centre j , worked out one is able to work out the number of people likely to patronise a specific centre. According to Terblanche (1998:202) Huff defines a market area of a retail outlet as a geographically delineated region, containing potential customers in respect of whom there is a greater than zero probability of their purchasing a given class of products or services offered for sale by a particular retailer or an agglomeration of retailers.

3.5.2 THE ANALOGUE METHOD

The market area for a shop or shopping centre can also be derived through reference to other known market areas of existing shops or centres. These market areas are determined by customer origin surveys (source surveys), which involve the plotting of reported home addresses on a map. Adjustments will need to be made for any important differences between the “analogue” market areas and those being estimated. Such adjustments may relate to road access patterns, the placement of competition and both natural and socio-economic barriers (Terblanche, 1998:204).

3.5.3 CONSUMER SURVEYS

Market areas can also be determined by collecting information from consumers via mail, telephone or personal interview. Typical information gathered will relate to the consumer’s address, shopping and spending patterns, purchasing behaviour and the probability of that person patronising the proposed new retail outlet. The addresses of positive respondents are plotted on a map of the area surrounding the proposed outlet and the market area can then be established by way of inspection (Terblanche, 1998:205).

3.6 THE ESTIMATION OF A CATCHMENT AREA EXPENDITURE POTENTIAL

Having defined the catchment area of a store or shopping centre, it is important to accurately estimate the total expenditure on individual product categories for specific store types by customers living in the area. Catchment areas vary not only in the number of households but also in the types of households, which have different demands for specific goods and services.

Numerous sources of data exist in order to estimate the expenditure potential of the catchment area. Census data gives information about income, which can be narrowed down to specific neighbourhood areas. Even studies about expenditure potential in the informal trade have been conducted and are easy to access (Beaumont, 1988:6).

3.7 FORECASTING A STORE'S SALES

Having defined a store's catchment area and estimated its market potential for different goods and services given its household's profile, it is possible to forecast the sales for the specific store or site of interest. Two well-known approaches to forecast a store's sales are to expect a "fair" share of total sales or to assume the experience of a similar or analogous store will be replicated.

The so-called share of space method expects that a specific store will have a share of the total sales in direct proportion to its floor space (or linear footage). In believing that the experience of a similar store will be replicated, it is assumed, at least implicitly, that all operating conditions will be identical (Beaumont, 1988:8).

3.8 THE SELECTION AND EVALUATION OF A RETAIL SITE

Selecting a site within the catchment area can have a great influence on the success of the retail centre. Site specifics, like accessibility, compatibility and physical characteristics, can all have a determining impact on the centre. Where a number of suitable sites have been identified, it is necessary to evaluate the alternative sites as objectively as possible in order to identify the best one. A rating system may come in useful in this instance.

A site-rating sheet consists of various criteria like accessibility, turnover potential, threat of competition, size, cost and future expansion. Giving each site a score out of ten for each of the criteria and multiplying that score with a weight of importance, will give each site a total score. The site with the highest score will be the most attractive (Terblanche, 1998:207).

3.9 CHAPTER CONCLUSION

Store location on any scale is one of most important factors to take into consideration when establishing a new store or shopping centre. Although the Case study of this thesis will only focus on retail location on a neighbourhood scale, it was important to note how

retailers are scattered over the whole of a metropolitan area, as a decision taken on a larger scale have an impact upon a smaller scale.

As suggested by Terblanche (1998), there are certain retail location principles to keep in mind when establishing a new retail shop or centre. These are only guidelines and suggestions and cannot guarantee success. Establishing within an area retail shopkeepers and centre management needs to know their target market and define their catchment area, in order to estimate the income that can be generated by the shop or centre.

4 THE SMALL RETAIL SHOP AND RELATED SMALL ACTIVITIES

“I remain a great believer in the small shop, the small business, the small anything-else-you-like,” the Archbishop of Canterbury is reported to have said, *“because it is through the small things that God teaches man”* (Scott, 1970:6).

According to Davies (1984:190) small shops and related small activities have shown a diminishing role in the distribution system of most countries during the seventies and eighties. Not only has the number of retail outlets declined but there has also been a quite dramatic depletion of their trading strength. This demise cannot only be accredited to the growth of larger scales of activity but also to the changes in consumer behaviour (Davies, 1984:289). Some writers accredit the demise to some deep-seated problems in the operating circumstances of small-unit retailers themselves.

According to Davies (1984:190) the assumptions seems to exist that the demise of the small shop is necessarily a bad thing and something to be avoided. This he ascribes to the sentimental attachment to the small shop and nostalgia for past forms of retailing activity, but it also reflects the concern for the growth of monopoly powers amongst the large corporate groups and the loss eventually of important localized services. Such a viewpoint tends to ignore the need to inject a higher degree of efficiency into the small business community and that a further reduction in the number of more marginal small businesses might in fact be beneficial to those with inherent growth potential.

Small business does however hold the key to any country’s unemployment problem. Everyone has caught the idea that small business can create primary as well as secondary job opportunities, but for most the words “small business” conjure up an image of someone sitting on the pavement selling socks, barely making enough to feed himself never mind his family (Terblanche, 2002). The existence of this stubborn myth, that a small business equals informal business, cannot be denied. As we have already seen in chapter two, there is a difference between the informal business and the small business.

The small business development community has painfully realised that the two groups – informal survivalist on the one hand and formal small business on the other – are vastly different. Informal survivalist generally do not employ people, they jump at the first opportunity of formal employment and very rarely grow and become formal businesses. Formal small business owners on the other side are highly skilled, employable and experienced. Nearly all of them worked for someone else before and regard their former work experience as their most important training ground (Terblanche, 2002).

4.1 THE CAUSES OF SMALL BUSINESS DECLINE

Davies (1984:192) ascribes the decline in numbers and trading strength of small shops and related activities to underlying changes in consumer behaviour and the operating circumstances of small unit retailers themselves. The problem, he argues appears to have been the failure by many small businesses to adapt to the evolving trends in the demand and supply side of the business.

Many small businesses however did not have the size to adapt to these new circumstances. Others declined because of increasing competition amongst them at a time when the demand for the sort of goods and services they offer has been diminishing.

Davies (1984:197) recognises the diminishing demand for small shops in three ways. Firstly, the role of small shops within most communities has changed during the past from being an institution that was essentially the primary source for most household shopping requirements to one that is now just supportive to the larger retail outlets that have emerged.

Secondly, loyalty to the small shop in terms of continuing to use it as a major source of shopping has remained strongest amongst the poor, more elderly and more immobile sections of the population. These are clearly the weakest consumer groups within the population, with most of their spending directed at lower-quality products where profit margins are low.

The third way in which Davies (1984:198) sees a reduced demand for small shops is in the changing relationship between their prevailing patterns of location and those of the population as a whole. Small shops tend to remain the dominant form in that part of the environment from which there has been the greatest proportional population decline, like the inner city and isolated rural areas.

Looking at these three trend in demand collectively, small shops have found themselves increasingly oriented to selling small quantities of goods to customers with generally low levels of purchasing power and under circumstances where their trade areas are steadily being eroded. These trading difficulties are further compounded by the physical conditions in which most small businesses operate. Small selling space, poorly designed delivery areas and small storage space all contribute to their inability to adapt to changes (Davies, 1984:203).

Competing with larger retail firms is proving to be more and more difficult for small retailers. Economies of scale on all levels of business make it difficult for small retailers to compete with large retail firms. Lack of training and expertise amongst independent retailers, particularly in the field of business methods also contribute towards their continued demise.

Retailers themselves also perceive financial difficulties as the main contribution to their demise. Other reasons that these small retail shops site as contributing to their demise is the overall stand of the macro-economy, general cost of their overheads and not necessarily the competition from larger retail outlets. Table 4.1 gives a summary of the reasons sited by Davies for the decline amongst small businesses.

TABLE 4.1 THE PROCESS OF DECLINE AMONGST SMALL SHOPS

DEMAND FACTORS		SUPPLY FACTORS
Changing shopping habits ↓		Limited selling space ↓
Ageing, poorer clientele ↓		Increasing distribution cost ↓
Diminishing catchment area		Increasing operational cost
Higher prices		
Limited range of goods		
Increased preference for large stores		Continuing constraints on physical expansion

Source: Davies, 1984

4.2 POSSIBLE FORMS OF ASSISTANCE

The fact that there is considerable diversity in the trading characteristics and relative health of the small business community, is important to remember when one is contemplating assistance for small shops with a history of trading difficulties. According to Davies (1984:267) the idea of providing special help to certain small shops, through government-sponsored schemes, is something, which in itself must first be questioned. He ascribes three reasons for local-governments to get involve in providing assistance to small shops.

Firstly, small shops such as any other small-scale activities within the general economy are recognised as being important contributors to employment and any assistance that leads to an improvement in trading conditions will therefore likely contribute to job creation. Secondly, the decline in the large number of small shops, together with the

marginal existence that numerous surviving businesses eke out, has created several hardships for many former and present owners. Thirdly, the closure of small shops in particular localities or a serious deterioration in the quality of service they provide can cause problems for certain groups of consumers who might be dependant on local shopping facilities, such as the elderly.

According to Davies (1984:271) research indicates that considerable variation does occur in the growth potential of different small shops. Some small shops show considerable vulnerability and are likely to continue to decline in the future. Some small businesses in certain sectors show better potential than others for future growth. These businesses should be identified and qualify for assistance.

Small shops also vary considerably in terms of the consumers that they serve. Most small businesses are community based and make up the predominant trade types of their neighbourhoods. Some of these small shops are essential components of the retail system, especially in these neighbourhood locations and again are therefore deserving of assistance. On the other side there are those small shops that only serve a very specific cluster in the market. Do they deserve the same type of support as those shops that serve a larger part of the community?

If government are to decide on providing assistance there are three main ways they can go about providing this assistance: through a set of financial provisions, the removal of various restrictive legislation and by extending the special advisory and support services that have been established to help small manufacturing businesses (Davies, 1984:278).

Subsidies and grants are seen as most common form of assistance that can be provided by the government. Rent and rate relief can be given to small shops occupying premises owned by a local authority. Rents and/or rates have been lowered below accepted market values when shops deemed to be desirable to retain in a local area have experienced considerable trading difficulties.

The main advantage of using this form of relief is that particular shops deserving of some form of assistance and being important to the local community can be singled out for special treatment. On the debit side, it is policy that inevitably props up the weaker elements of retailing and often covers up for serious planning mistakes over the spatial allocation of shopping facilities.

Providing a guaranteed minimum level of income is another way in which the government can support small business. This type of support would also ensure that only target specific small shops would benefit from such support. Financial assistance can also be given in the form of special loans and grants to small businesses (Davies, 1984:283).

When asked about complains, small business owners usually name the interference in their trading practices by the government as their biggest concern. Planning and building regulations, VAT, corporate taxes, national insurance contributions, trade licensing and other trade regulations are listed as some of the interferences by government in small businesses trading practices. According to Davies (1984:286), if most of these regulations were to disappear, there would be no need for any sort of governmental assistance schemes. Though such reasoning may seem compelling, it is difficult to see how small shops can be treated differently from the rest of businesses over such a broad area of legislation.

As far as developmental planning, is concerned, there should be much more freedom for small retail shops to locate where they want to. If the environment in which small shops operate are much more free, then the small shop would find it easier to occupy cheaper premises in more accessible positions than they currently do.

The fact that few small business owners have any formal business training, enforce the findings of Davies (1984:32) that most small shop owners do not have the ability to make the most of any trading opportunity that might arise or to overcome trading difficulties when these might arise. Although there are numerous professional persons to whom the

small business owner can turn, how many of them actually have equal access to these professionals like accountants, bank managers or financial consultants.

According to Davies (1984:290) most European Community countries have national small business supporting institutes that offer consultancy services directed specifically at assisting the small shopkeeper. What is needed more however is the provision of more formal educational and training programmes to improve the business skills of small shopkeepers.

It is however difficult to assess the impact that such training programmes would have on the success of the small shop owner. According to Davies (1984:314), however, the growth in training programmes offered by consultants and the concomitant growth in their economic success, may suggest that over time the benefits might be considerable.

4.3 CHAPTER CONCLUSION

Davies (1984:321) suggest that perhaps the best line of approach would be to promote the sort of conditions in which the small business community can do more to help themselves. This would require a relaxation in the regulatory controls of local government regulations, in which case it would be necessary to remember the reasons why such regulations was put there in the first place.

The provision of special training schemes and consultancy services to improve the business expertise of the store operators, would also promote conditions under which small businesses can help themselves. As was suggested by Davies (1984), small business owner cannot capitalize on the opportunities or avoid the risks that come their way, if they lack the necessary expertise.

Direct financial assistance at local level is mostly avoided through policy in South Africa. The idea of providing some form of financial assistance to small businesses is something that should be considered as small business owners sometimes regard this as their greatest stumbling block.

5 CASE STUDY: THE NOMZAMO BUSINESS CENTRE

5.1 BACKGROUND TO LWANDLE AND NOMZAMO

Lwandle and Nomzamo (see Map1, p37), like most other black townships in South Africa, is the result of a system of selective discrimination, called apartheid. *“The limited business development that has taken place in townships (like Nomzamo) can be directly linked to the history of such communities, as residential locations that formed part of the Apartheid dispensation”* (Mehlo Media, 1999:1).

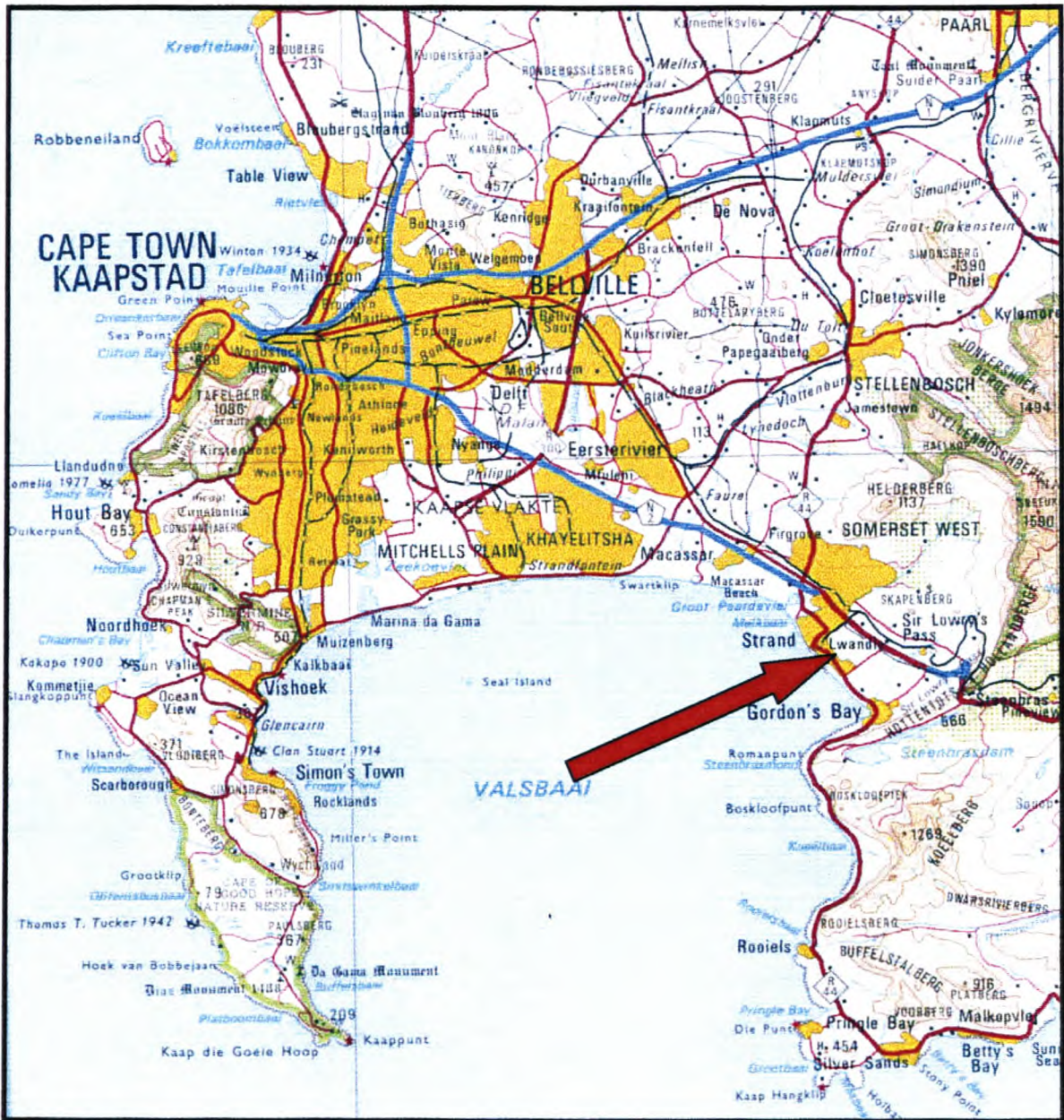
The story of the apartheid city is also the story of Lwandle and Nomzamo. These two settlements are situated on the outskirts of the Strand in the Helderberg basin that form part of the greater Cape Town Metropole. It is a community of approximately 25 000 people that lack most of the basic needs most other communities take for granted.

According to a study done by WESGRO (1998:1), Lwandle and Nomzamo have grown into a settlement of approximately 6000 households in 1997. There is a labour supply of 9 500 workers with an average increase of 600 workers per year. The number of people formally employed, including those employed by micro-enterprises, is 6000. Some 1 900 people take part in survival activities, while 1 600 people have no income at all. The average household income stands at R1 200 per month, which gives an approximate annual income of R86 400 000 for the area.

Although settlements similar in size to that of Lwandle and Nomzamo have experienced investor interest from outside by various retail outlets and franchises, no examples could be found of any such investments in the area. Since there are no shopping facilities nearby most residents of Nomzamo and Lwandle have to do their shopping in the central business areas of Somerset-West or Strand. Most people living in that area does not have access to privately owned motorcars, which leave them with little choices but to walk or take expensive public transport, like taxis.

MAP 1

LOCATION MAP: LWANDLE AND NOMZAMO



Source: Readers Digest

**TABLE 5.1 THE GENERAL CHARACTERISTICS OF LWANDLE AND
NOMZAMO**

Population in 1997	25 000 people
Number of households	6 000 households
Household income per month	R1 200
Lwandle and Nomzamo aggregate income per annum	Approximately R86. 4milj.
Total Labour Supply (T.L.S.)	9 500 people
Labour Supply increase per annum	500-700 people
Formal employment (including micro enterprises)	6 000 people of the T.L.S.
Survival activities	1 900 people of the T.L.S.
No income	1 600 people of the T.L.S.

Source: WESGRO, 1998

5.2 A CENTRALIZED SHOPPING CENTRE AS A POSSIBLE OPTION

According to Hilda Oosthuizen (personal interview), the director of Economic Development in the Helderberg administration (local municipality), the idea of a centralized shopping centre actually originated when she wanted to help the local business people by promoting and assisting small business² (SMME) development, as a strategy to address the problems of poverty and unemployment. The Economic Development Section decided to take pro-active steps towards seeking strategies involving the promotion of local economic development and job creation and by doing this they hoped to also enhance the quality of life for local residents by broadening their access to shopping facilities.

According to Oosthuizen the potential for many self-employment opportunities remains latent owing to the absence of supporting mechanisms for the micro entrepreneur. Since such supporting mechanisms act as building blocks for the successful establishment and sustenance of local business people and job creation, she proposed that a help desk be established as such a mechanism. The aim of the help desk was to supply support services

² In business literature the acronym SMME stand for Small Medium and Micro Enterprises. Here I shall use the expression “small enterprises” referring to SMME.

that would address issues identified by the participating community in their efforts to solve their problems as Small business owners.

The first step was however to conduct a survey to establish the condition under which businesses in Lwandle and Nomzamo find themselves. This survey was to assist the Local Authority in the establishment of a supportive environment for Small business growth, rather than forcing down their own ideas unto the community. WESGRO was approached to conduct a brief scan on the employment and business characteristics of Lwandle and Nomzamo. One of the main issues identified by that study was that Small businesses increasingly look to the Local Authority to “solve” their problems or to provide some form of assistance.

The WESGRO study (1998:5) identified three main problems faced by the business people of Lwandle and Nomzamo. Firstly, the study identified that most business people saw the lack of business premises and land as a major problem to their survival. They felt that the municipality could be more involved in facilitating business premises and strategically located land for business ventures. A second problem identified by them was that of access to loans and finance. A relatively small percentage of respondents looked upon the municipality to help them access loans or directly subsidise them. A third problem identified was that of a lack of training. Respondents looked upon the Municipality to help facilitate business training for them.

With the information collected during the WESGRO scan, it was decided to do a proper survey of all the small businesses based in the township area of Lwandle and Nomzamo. The main function of the survey was to collect, disseminate and provide a wide range of information relevant to the various challenges and issues facing Small businesses in Lwandle and Nomzamo. It was also decided that the survey would compile a Small business Directory, identifying the successes that the community have produced, so that these skilled entrepreneurs can be targeted with assistance to help them grow. Mehlo Media was approached to conduct the survey, to supplement the brief report on business and employment characteristics of Lwandle and Nomzamo, done by WESGRO.

5.3 THE COMBINED WESGRO AND MEHLO MEDIA SURVEYS

According to Mehlo Media (1999:4) almost 50% of business people only have primary school training, with another 40% having gone through to grade 10. As far as business training is concerned only 17% had any form of training related to their business.

TABLE 5.2 THE EDUCATION LEVEL OF BUSINESS PEOPLE

EDUCATION	%
Primary school	48.17
Grade 10	39.91
Grade 12	7.80
Diploma	1.83
Degree	0.46
No response	1.83

Source: Mehlo Media, 1999

With the exception of a handful of small or micro businesses, the majority of businesses should be classified as survivalist. According to the Small Business Enabling Act of 1996, as quoted by Mehlo Media (1999, p6), classification of businesses should be based on turnover and employment figures for specified industries. Using relative indicators Mehlo Media classified businesses into six categories as shown in Table 5.3 below.

TABLE 5.3 THE SIZE OF BUSINESSES

BUSINESS SIZE	%	ACCUM %
Very small survivalist	6.88	6.88
Small survivalist	11.47	18.35
Survivalist	18.35	36.70
Large Survivalist	27.52	64.22
Micro Business	22.02	86.24
Very Small Business	13.76	100.00

Source: Mehlo Media, 1999

WESGRO identified that almost 80% of businesses are run from residential homes and would be classified as being informal in nature. The rental of business premises is not thriving in Lwandle and Nomzamo. Only 36% of businesses are renting their premises at an average rent of R43.59 per month, for an average of 12 m² of business space. According to Mehlo Media many business people suggested that it would not suite them to move to separate designated business premises. Many home-based business owners did however acknowledge that they might soon experience difficulty in their businesses natural growth.

TABLE 5.4 THE NATURE OF BUSINESS PREMISES

BUSINESS PREMISES*	%
Non-brick structure	77.06
Brick structure	8.26
Outdoor	7.80
Street with shelter	6.42
Street without shelter	5.96
Commercial site	1.83
Business hive	0.92
Other	3.21

*More than one possible answer.

Source: Mehlo Media, 1999

Mehlo Media (1999:5) established that 40% of local businesses seem well established having been in operation for more than two years. Of the businesses, 37% were identified as being less than a year old, with 19% being between one and two years old. With many new businesses folding within the first year of operation, most new businesses require special support.

TABLE 5.5 YEARS THAT PROPRIETOR IS IN BUSINESS

YEARS IN BUSINESS	%
Less than one year	37.61
One to two years	19.72
Three to five years	25.69
Six to ten years	11.47
More than ten years	5.50

Source: Mehlo Media, 1999

Considering the relative “youthfulness” of the businesses, experience and skills gained while in previous employment could contribute to a well-equipped small business community, but this does not seem to be the case. Mehlo Media (1999, p4) established that although two thirds of the business people were employed before they started their businesses, only 18% indicated that their previous work experience did help in making their business venture a success.

TABLE 5.6 EMPLOYMENT STATUS BEFORE PROPRIETOR STARTED A NEW BUSINESS

BEFORE STARTED	%
Employed	67.89
Unemployed	22.48
Other Business	3.21
Student/school	2.29
No response	4.13

Source: Mehlo Media, 1999

**TABLE 5.7 CONTRIBUTION OF PREVIOUS
WORK EXPERIENCE IN SUCCESS OF BUSINESS**

PREVIOUS EXPERIENCE	%
Did not help	78.44
Helped with own business	18.35
No response	3.21

Source: Mehlo Media, 1999

Of all the business activities surveyed by Mehlo Media (1999:7) retail activities make up the largest proportion of businesses in the area. It is one of the most competitive activities and is one of the most important sources of income for local business people. Close to 85% of retail businesses are run from home, which suites most women who have to stay home to tend to domestic work. The retail sector also offers a great opportunity to gain valuable business experience on which to build other business ventures.

WESGRO (1998:2) sees future growth in both expanding and consolidating retail enterprises. They suggested that enterprises should become more competitive as outside companies show an interest in the new opportunities in the rapidly growing settlements of Lwandle and Nomzamo. Although the range of retail activities is relatively small, new activities in the line of cosmetics and second hand building materials are beginning to emerge.

New activities in the form of crèches, builders, doctors and dentist are also adding to the range of local businesses involved in the service sector. Although the service sector only make up 18% of local business most are well established and have been in operation for a long time. A large percentage of businesses involved in the service sector, are serving cars and taxis. The manufacturing sector is not well developed in Lwandle and Nomzamo. The range of manufactured products is also small, but Mehlo Media (1999:16) saw that further opportunities exist in the fields of construction and crafted goods.

TABLE 5.8 BUSINESS ACTIVITIES IN LWANDLE AND NOMZAMO

BUSINESS ACTIVITY	NUMBER	%
RETAIL	214	79.55
Food Take-away	27	10.04
Superette/Café	17	6.32
Spaza	87	32.34
Clothing/Shoes	14	5.20
Fruits&Vegetables	9	3.35
Shebeen/Tavern	57	21.19
Other (Hair products)	2	0.74
SERVICE	50	18.59
Electrical repair	3	1.12
Hair Salon	12	4.46
Herbalist/Doctor	4	1.49
Shoe repairs	6	2.23
Vehicle repairs	6	2.23
Taxi	13	4.83
Builder	5	1.86
Other (Creche)	4	1.49
MANUFACTURING	5	1.86
Clothing/Curtains	1	0.37
Food/Bakery/Catering	3	1.12
Building materials	1	0.37
TOTAL	269	100

Source: Mehlo Media, 1999

Resources used by businesses surveyed revealed that almost 50% of businesses own either a telephone, cell phone or both. Of the businesses 50% also have access to a post box, while only 23% own a vehicle. Most business people run their businesses full time, with just 10% being involved part time. The small business sector in Lwandle and

Nomzamo contributes 485 jobs at an average of 2.23 jobs per business. These jobs represent roughly 10% of the total employment for the two areas.

TABLE 5.9 THE USE OF TELEPHONES AND CELLPHONES

TELEPHONE & CELLPHONE	%	TOTAL %
None	50.46	Telephones
Telephone	33.03	
Cellphone	11.01	16.51
Both	5.50	
		Cellphones

Source: Mehlo Media, 1999

TABLE 5.10 THE USE OF A POST BOX AND VEHICLE OWNERSHIP

POST BOX	%	VEHICLE	%
No post box	50.92	No vehicle	61.01
Have post box	49.08	Own a vehicle	23.85
		No response	15.14

Source: Mehlo Media, 1999

**TABLE 5.11 THE SCOPE OF
BUSINESS INVOLVEMENT BY THE OWNER**

OWNERS INVOLVEMENT	%
Full time	83.95
Part time	11.01
Unspecified	5.04

Source: Mehlo Media, 1999

TABLE 5.12 EMPLOYMENT CREATED

JOBS	DATA	FULL-TIME	%	PART-TIME	%
1	Businesses	102	46.79	55	25.23
	Jobs	102	26.63	55	53.92
2	Businesses	70	32.11	14	6.42
	Jobs	140	36.55	28	27.45
3	Businesses	12	5.50	5	2.29
	Jobs	36	9.40	15	14.71
4	Businesses	4	1.83	1	0.46
	Jobs	16	4.18	4	3.92
5	Businesses	4	1.83	0	0.00
	Jobs	20	5.22	0	0.00
6	Businesses	5	2.29	0	0.00
	Jobs	30	7.83	0	0.00
7	Businesses	3	1.38	0	0.00
	Jobs	21	5.48	0	0.00
8	Businesses	1	0.46	0	0.00
	Jobs	8	2.09	0	0.00
9	Businesses	0	0.00	0	0.00
	Jobs	0	0.00	0	0.00
10	Businesses	1	0.46	0	0.00
	Jobs	10	2.61	0	0.00
Total jobs		383		102	

Source: Mehlo Media, 1999

The study by WESGRO (1998:4) also revealed that the business people were aware of a wide range of support agencies, but that only a small number contacted them for either loans or training. Out of the 269 people interviewed by them only 15 ever applied for a loan. According to them this suggests an urgent need to widen the knowledge of local entrepreneurs about agencies and conditions underlying loans and other services. WESGRO (1998:4) also found that only a small number of businesses ever had contracts

with people from outside Lwandle and Nomzamo. This also shows a lack in knowledge about how to win tenders and contracts.

The profit range of businesses interviewed by WESGRO (1998:4) showed a sombre picture with 65% of businesses earning less than R2000 a month. Although profit information is often unreliable, profit margins are not likely to be higher than what the scan revealed. This goes to show that something has to be done to draw more spending away from traditional shopping areas to these businesses. When asked about new opportunities most respondents saw Nomzamo as a viable new growth point.

**TABLE 5.13 PROFIT RANGE OF
BUSINESSES IN LWANDLE AND NOMZAMO**

PROFIT RANGE	%
LOSS	4
R1-R500	25
R501-R1000	20
R1001-R2000	20
R2001-R3500	15
R3501-R5000	12
R5000+	4

Source: WESGRO, 1998

As far as support expectations from the Local Authority were concerned, Mehlo Media (1999:16) and WESGRO (1998:6) found a similar trend to what is found in most other parts of South Africa. Expectations from small business entrepreneurs are that local authorities should help them “solve” their problems. Almost 56% of the people interviewed by Mehlo Media (1999:14) felt that the Helderberg Municipality should play a leading role in facilitating business premises (for example hives or local industrial parks) and strategically located land for business ventures. Of the respondents, 36% indicated that they expect the local authority to be involved in helping them to access

loans or subsidising them. Only 26% asked for training and 15% asked for better municipal services.

TABLE 5.14 SUPPORT EXPECTATIONS FROM THE LOCAL AUTHORITY

MUNICIPAL ASSISTANCE	%
Provide business premises	56.42
Provide business finance	36.70
Provide training	26.61
Provide better municipal services	15.14
Provide better access to supplies	6.42
Give advice and information	1.83
Assist with registration & licenses	1.38
Improve safety	1.38
Provide tenders to small business	0.46

Source: Mehlo Media, 1999

Business people themselves identified that there are numerous ways in which they themselves could improve their business. By improving stock management, improving service quality, expanding the business and **improving their premises** they felt they could improve their businesses. Business people also identified finance, insufficient premises and weather, bad debt, stock shortages due to lack of credit and management skills as their biggest problems. Crime was however not seen as a big problem.

What this study revealed was that the expectations of the business people of Lwandle and Nomzamo are not unreasonable. Most want access to business premises and land, access to loans and other financial support and access to training.

With the establishment of a help desk in the Lwandle/Nomzamo area that would help with the facilitation of providing training and access to finance, another issue identified by the business community namely access to business premises could be addressed. Mehlo Media also identified a suitable municipal owned property within Nomzamo, as a

possible location for a business centre. The site is erf 19717, which is strategically well located, is already zoned for business usage. All the necessary services and road transport system is readily accessible. The site is closely located to the Nomzamo taxi rank and is adjacent to the Nomzamo Community Centre.

5.4 THE NOMZAMO BUSINESS CENTRE (Please see section 5.9 for pictures)

The need for a Small business premises, which have been identified through the two surveys conducted in the area, has led the Economic Development Officer, Hilda Oosthuizen (personal interview), to consider the creation of a business centre in Nomzamo as a project that could qualify for Cape Metropolitan Council funds. Nomzamo was chosen as the area to establish the formal business centre, not only because the respondents identified Nomzamo as a viable growth point, but also because other municipal development programmes was already underway in Lwandle.

In 1999 the Nomzamo Community Trust, a non-profit organisation, was formed, as part of the process in providing in the needs of the business community and giving them access to a business premises. The beneficiaries of the Trust are stated as “all the people residing from time to time in the area of Nomzamo.” The objectives of the Trust are to promote the integrated development of Nomzamo. This entails:

- The promotion of development and upgrading of housing, infrastructure, education-, youth- and old age facilities and commercial and industrial activities.
- The promotion and support of projects whose aim is to assist in and generate the creation of commercial, industrial and employment opportunities in Nomzamo.
- Striving towards economic and social empowerment of the area (Oosthuizen).

This Trust together with the owner of the identified land, the Helderberg Administration (Local Authority), applied for funding to the Cape Metropolitan Council’s Community Job Creation and Economic Development Fund, which they received. The aim of the project was to construct on Municipal owned land, appropriately zoned for business, a centrally situated business centre where premises and facilities are provided for the conduct of mainly retail and service business for potential and existing entrepreneurs in a

poor marginalized area. The aim was for the centre to yield a net rental income from its operations, which will be ploughed back into and to the benefit of the Nomzamo community.

The establishment of the Nomzamo business centre was spread over four phases so that monitoring could take place to see whether it would be viable to continue with the next phase of the project. Phase one entailed that a concrete floor be constructed so that movable containers can be put in place on the floor and businesses can be run from them. Eight containers were accommodated in this “container park”, providing electricity, telephone, water, sewerage and refuse facilities to each business housed in such a container. A local construction firm, which built a building on the site for their temporary use, donated the building to the Nomzamo Community Trust. This building was converted to provide a refuse room, an electrical meter room and a toilet area. The total cost of phase one was R120 000 and was completed during 1999.

Phase two saw the start of the building of the actual shopping centre. This portion of the shopping centre comprised of eleven shops of which ten are approximately 30 m² in size and one approximately 90 m² in size. Phase two was completed in the year 2000 at a cost of R500 000.

Phase three included the paving of the central square together with a raised platform for promotions and entertainment as well as seating for the elderly and children. Phase three also provided a security light that is essential for the security and well-being of tenants and customers alike. Two additional shops were also built. Public toilet facilities and an office, which will double as a security room in the evenings, were also completed at a cost of R200 000.

Phase four of the project provided an additional seven shops of more or less 15 m² each as well as a large shop of approximately 255 m² that could serve as an anchor. This was completed at a cost of round about R970 000.

As far as tenants for the centre was concerned, a rigorous selection criteria was set up by the Trustees of the Nomzamo community trust, to which tenants had to adhere in order to rent a shop in the centre. All tenants had to be individuals living in Nomzamo, had to complete a “business skills training course” and produce a business plan.

5.5 ECONOMIC DEVELOPMENT OBJECTIVES

In order to be considered for funding by the Cape Metropolitan Council’s Community Job Creation and Economic Development Fund, the project needed to contribute to their economic development objectives. One such objective states that any project considered for funding should help the people of the Cape Metropolitan Area to **maintain and gain access to economic opportunities** (Oosthuizen, personal interview). The way in which the business centre wished to achieve this was by actively promoting and supporting job creation in the very low-income area of Nomzamo.

The project supports Small business development in a sustainable manner by developing the capacity of entrepreneurs and providing premises and facilities for previously disadvantaged persons. The project focuses specifically on economic growth and empowerment, by trying to keep more money in the local economy, rather than letting it be spend in higher income areas.

The centre wished to create many jobs opportunities in the community itself, through the development and construction phase as well as through the establishment of local businesses. The tender documents specified that a minimum of 60% of the labour for the construction must be from within the Nomzamo Community. Preference was also accorded to tenders emanating from “previously disadvantaged contractors” in terms of the Affirmative Action Procurement Policy of the Helderberg Municipality.

In terms of creating job opportunities through businesses located at the centre, shops at the centre contribute an average of 1.8 jobs per shop. This is just below the 2.3 jobs per business average that the rest of the business community provides in the area. Although

many jobs were created during the construction phase, the developers of the centre hoped that the centre would have contributed more job opportunities to the community.

In terms of empowerment, the project took two local councillors as well as three out of the four local trustee members on a visit to a similar project in Knysna in 1997. Several community meetings were held out of which the Nomzamo Community Trust was formed. Local builders and artisans also formed the Nomzamo Builders Trust that had sufficient skills to undertake community based construction projects. On the job training was provided for them not only in terms of building, but also in terms of project management and procurement.

Further objectives, of the Cape Metropolitan Council's Community Job Creation and Economic Development Fund, states that any project should seek **to improve the quality of Human Life in the urban environment** in which it is situated, by addressing the legacy of disfunctionality in human settlements. The project seeks to provide an easily accessible neighbourhood type shopping and business centre at the very heart of Nomzamo in close proximity to all the residents of Nomzamo.

The lack of facilities for the conduct of business by very small entrepreneurs and the lack of any form of formal retail shops in the area force residents to shop elsewhere in Somerset West or Strand. The project thus seeks to address and correct the nature and underlying reasons for this disfunctionality by providing a facility, which creates a more efficient and productive urban settlement.

The project also seeks to ensure that the overall economic and social conditions of the Nomzamo community are conducive to the creation of employment opportunities, rather than just directly creating jobs. The provision of such premises and facilities can merely be seen as building blocks for the successful establishment and sustenance of the local business community.

The project also hoped to achieve a not so quantifiable benefit of instilling a sense of pride and achievement in the community of Nomzamo. The Helderberg Chamber of Commerce undertook to start an ongoing training process in business skills for members of the community and will continue to empower the community to help themselves.

As far as the tenure of property is concerned, the land still belongs to the local authority. The project adds value to this land which otherwise would have been prone to land-invasions. The Nomzamo Business Trust leases the land from the Helderberg Administration, thus the ownership vests within a public body. In terms of the lease contract, the Trust was obliged to construct a Business Centre on the Land.

It was clearly stated that the project should be seen as an integral part of the continued development of the Nomzamo Community. The project seeks to compliment the construction of subsidised housing, schools, clinic and community centre in the area. Although a need for business premises such as hives and Industrial Parks has also been identified, it must be stressed that these are more long-term objectives and that such facilities will form part of the wider Economic Development Strategy. The continued and ongoing monitoring of Small business needs by the help desk may very well give rise to these and other more sophisticated form of municipal support.

5.6 TENANTS AT THE CENTRE

The centre as it stands now on completion provides a total of 810 m² of lettable space. The original monthly rental for each shop was approximately R250 per month, while larger shops are let for approximately R1000 per month. Revenue collected from the shops alone was R4 500 per month or R51 000 per annum. It was agreed that rent would be increased annually to compensate inflation. At present rent is R325 per month for 30 m² shops, R100 per month for a container, R170 per month for a 15 m² shop and R2500 per month for the large anchor shop. Taking into account the expenditures of keeping such a centre in operation, the project was deemed sustainable.

At present all the shops are occupied except for the anchor shop. There is a bakery, a butchery, a video rental shop, a music shop, a hair salon, three funeral services, a shoe & accessory shop, a print shop, a fishery & take-away shop, a second hand furnisher shop, a restaurant & fast food shop, a cleaning agent shop, a laundry, a juice shop and a Eskom shop. According to Vuyo Kavi (personal interview) the project manager of the centre, they have contacted the Score supermarket group as a possible anchor tenant, but to no avail. Four containers at the back of the centre are still available to be rented. The Nomzamo Builders Trust occupies one.

The bakery, *Millennium Bakery*, is run by the owner and his son and does not employ anybody else at present. The owner worked previously at a petrol service station and decided to start the bakery when he heard of the opportunity through the project. The bakery sells bread and other confectionaries. The butchery closed down due to unknown reasons. The centre could not to date fill the shop again because of the special building alterations done to the shop in order for the butchery to occupy it.

The hair salon, *Millennium Hair Salon*, employs one person at present. The owner worked before obtaining his diploma as a hairdresser. He then started his own hair salon, catering only for gents, which he ran from an informal shop near his house. He then moved to one of the containers, which was completed during phase one of the project after which he moved to one of the shops finished during phase two. He has now expanded his business to also include ladies hair dressing. The salon also sells hair products, like shampoos and braids.

The shoe and accessory shop, *Boots n All*, employs only one person. They sell shoes, blankets, hats, hair products and handbags. The printing shop, *Millennium Printers*, also employ one person. They not only do print jobs, but also sell hair products, cosmetics, baby products and cell phone accessories. The owner is actually a University of the Western Cape graduate, who could not find a job and decided to start his own business.

The fishery and take away shop, *Cathy's Fisheries & Take Aways*, employs no one at present. Before starting the fishery business, the owner sold fruit and vegetables from her home. She has expanded her business from only selling fish and chips, to also selling pies, vetkoeks, sandwiches and stews. To get her business started she needed finance so she got a loan of R13 000 at 60%³ interest from New Business Finance in Claremont. She struggles to repay the loan, although she said that her business has definitely increased since selling fruit and vegetables from home.

The restaurant and fast food shop, *Millennium S.S. Restaurant Fast Food*, sells sandwiches, tee and coffee. The owner started the business two and a half years ago, selling first from one of the phase one containers, then moving to a larger phase two shop before settling in a smaller phase four shop. She saw the opportunity of being close to the taxi rank and decided to move to the smaller shop where the rent is also lower. She still kept her formal job at a local primary school in Somerset West, employing someone to run the shop in the week.

The second hand furnisher shop, *Eyethu Second Hand & New Furnishers*, sells second hand and new furniture and home appliances. The owner employs one person to look after the shop, during the week. The cleaning agent shop, *Mr Shine*, sells cleaning products. The shop is only one month old and employs just one person.

The laundry shop, *Nosizwe's Laundry*, does washing, drying and ironing and has expanded to include tailoring. The owner was working before she started the business in June 2001. She now employs one person and can see a little improvement in her income. Unfortunately her business is seasonal and people make more use of her services in wintertime.

The beverage shop, sells fruit juices as well as other beverages. The owner was employed before starting the business in October 2001. Unfortunately he has seen no improvement

³ Although this rate of interest is illegal, it was reported directly by the owner who borrowed the money.

in his income and is struggling to get by. He currently only employ his wife who runs the business for him.

Of the three funeral shops I only interviewed one, *Ukhosi Funeral Service*. The owners, a husband and wife team, started the business from home before moving to the centre in 2001. They do not employ anybody and do not intent to do so in the near future. According to them, business has not improved since they moved to the centre.

The Music shop, *Pulamaoliboho*, sells radio cassettes with gospel as well as African dance music (quato) on it. The business is very young and was only started in July 2002. The owner employs two people who work casual shifts at the shop.

The video rental shop, *Highway Video Shop*, rents out videos and video machine at very competitive prices. The owner started the business at home before moving to the business centre in June 2002. In the two months that he has been at the centre, he has definitely seen an improvement in his business. He attributes this to the increased accessibility his shop has at the centre.

The *Eskom shop*, which moved to the centre for security reasons, sells prepaid electricity cards. At present it can be seen as the anchor shop of the centre as it draws a large number of people to the centre, especially over weekends.

5.7 THE ESTABLISHMENT OF A MAGNET STORE AT THE CENTRE

Many of the local residents, who did not patronise the centre regularly, said that if services like an ATM or a larger grocery store came to the centre they would visit the centre more often. According to Vuyu Kavi (personal interview), Project Manager of the Nomzamo Business Centre, the centre has negotiated with Score supermarket group to come to the centre as an Anchor tenant, but to no avail.

Some of the reasons given was that the market potential in the area for such a shop was to low. Safety of personnel and stock could not be assured and the shop built to host the

anchor tenant at the centre did not fit them. Kavi said that Score would prefer to build their own building adjacent to the centre if they ever decide to come to Nomzamo. Negotiations for an anchor tenant did however only start after the centre was completed. Negotiations should have been part of the development process from the beginning.

The establishment of the Eskom shop at the centre was a very positive move and will hopefully have a very positive effect on the centre, according to Kavi (personal interview). Most of the houses that have electricity in Nomzamo are fitted with prepaid electricity metres, which mean that customers have to buy prepaid card from a Telkom dealer. Since the Telkom shop is the only shop in the area that sell prepaid cards, the shop serves as a real magnet for the centre. People come to the centre and wait in long queues to buy electricity. What is however questionable is how many of these customers actually buy products other than the electricity cards at the centre? From the interviews conducted it does not seem that customers buy many products other than the electricity cards.

At present there is also no Automatic Teller Machine (ATM) at the centre. Many respondents indicated that if an ATM were to establish at the centre, they would patronise the centre more often. I decided to look into the possibility of an ATM establishing at the centre and found that this was easier said than done. According to an article by Ismail (2002:7), banks will gladly put their ATM's at any shop or centre that draws customers on a regular basis.

Most banks are willing to put their ATM's near a shop that will be profitable for them. Banks look at the following deciding factors:

- Safety of the users of the ATM's.
- Day and night trading; banks prefer that their machines be operated on a twenty-four hour basis. This is however not a top criterion.
- Safety of the ATM equipment is rather important considerations for any bank. Banks prefer places that have 24-hour security.
- The number of monthly customers attracted to the centre.
- Competition from other banks in the area.

- The proximity and possibility of other businesses in the area supporting the ATM.

Because ATM's are rather expensive to install and banks carry all the cost, banks want a type of insurance on their investment. The owners of the centre are expected to pay a nominal rent, while banks pay for the electricity. Banks only expect to pay a nominal rental for their space at the centre because it is believed they will contribute towards increased business for the centre. Machines can however be removed very quickly if vandalism and robberies take place regularly (Ismail, 2002:7).

The criteria to which a centre needs to adhere in order for an ATM to establish there is rather strict. The Nomzamo Business Centre is mostly patronised over weekends and early mornings and late afternoons during the week. Banks prefer that machines be used on a 24-hour basis. The number of monthly customers attracted to the centre at the moment is very low and would not satisfy the conditions of the Banks. Safety of ATM users can also not be assured since a security guard is only employed at night.

5.8 CHAPTER CONCLUSION

The WESGRO and the Mehlo Media studies revealed the bad conditions under which most business owners have to operate their businesses in the area of Lwandle and Nomzamo. The Nomzamo Business Centre, which was built at a cost of approximately R1 790 000, hoped to change some of these conditions for local business people. As far as adhering to Cape Metropolitan Council's Community Job Creation and Economic Development Fund's objectives are concerned, the establishment of the centre contributed to most of their objectives, although more job opportunities were expected.

At present all of the shops are occupied, except for the big anchor shop and the butchery. The Eskom shop currently serves as the only magnet shop, drawing customers to the centre. Although the establishment of an anchor shop would be the ideal for the centre, the establishment of an ATM at the centre would be very beneficial. No such facilities currently exist anywhere near Nomzamo.

5.9 PICTURES OF THE NOMZAMO BUSINESS CENTRE AND SURROUNDING AREA



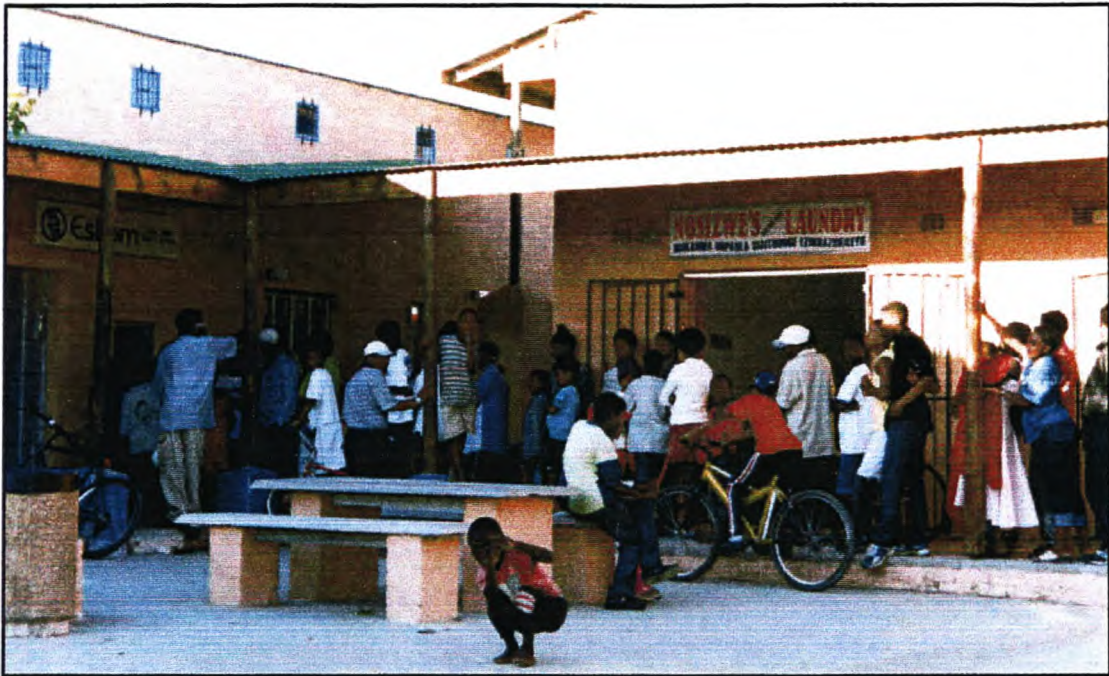
PICTURE1: ENTRANCE TO THE BUSINESS CENTRE



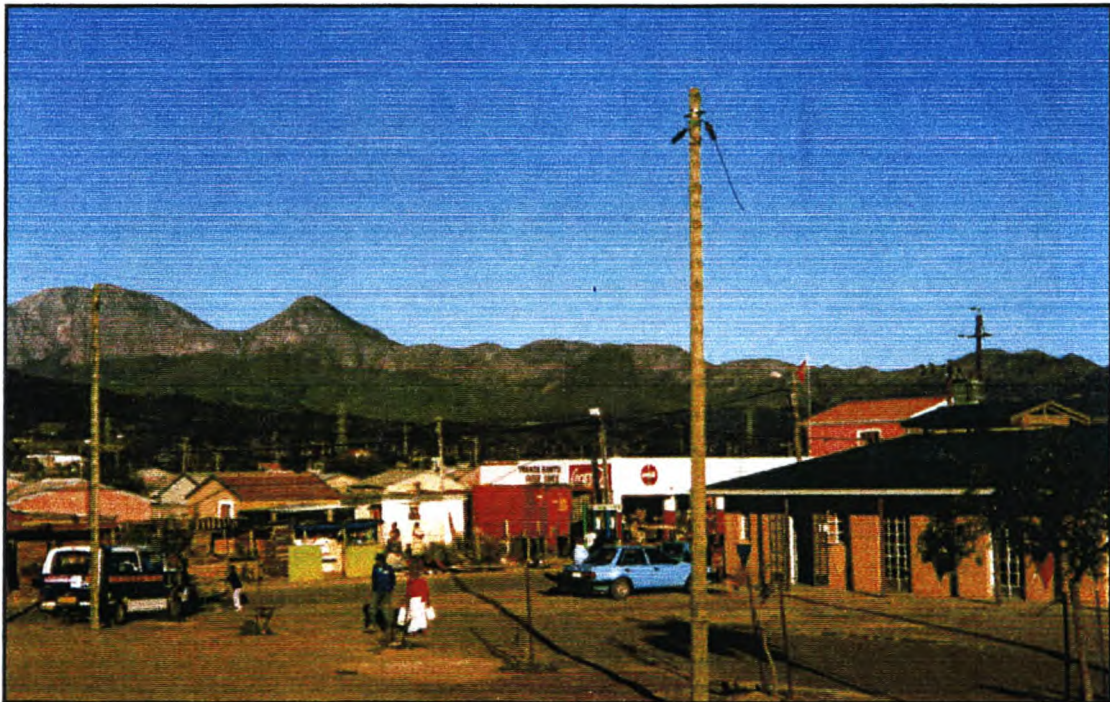
PICTURE2: INSIDE THE BUSINESS CENTRE



PICTURE3: INSIDE THE BAKERY



PICTURE4: THE LONG QUEUES OUTSIDE THE ESKOM SHOP



PICTURE5: THE TAXI RANK OUTSIDE THE BUSINESS CENTRE

6. THE SURVEYS AND ANALYSES

As stated at the beginning of this report the idea of this study was to establish whether formal retail development contributed to the enhancement of the quality of life experienced by marginal communities. According to the article by Moller, which I referred to in section 2.1, the focus of the Quality of Life approach is on the assessments of the city residents themselves and their evaluation of the “good” city and its liveability.

To try and establish what the people of Nomzamo really thought about their Quality of Life and whether they thought the Nomzamo Business Centre contributed towards a better life for them I conducted several interviews with residents of Nomzamo. I spoke to 15 of the business owners who have businesses at the Nomzamo Business Centre as well as the project manager for the development, Vuyu Kavi. I also spoke to about 20 of the local residents of Nomzamo to hear that their opinions are about the centre, their area and their lives.

Although 20 interviews out of a total population of about 12 000 is not nearly representative, these interviews gives one an idea of how people living in such an area perceives such developments.

6.1 THE BUSINESS OWNERS

When asked about the term Quality of Life and what each of the business owners thought could improve the quality of their lives, the answers were usually straight-forward and rather direct. Table 6.1 below shows a summery of the things business owners saw that could contribute towards improving their lives.

**TABLE 6.1 BUSINESS OWNERS
UNDERSTANDING OFF THE TERM “QUALITY-OF-LIFE”**

THINGS THAT WOULD IMPROVE “QUALITY OF LIFE”	NUMBER OF RESPONDENTS*
1. Money to start own business	4
2. Loans	3
3. Skills training, Business training, Education	4
4. Work, Jobs	4
5. Equipment	2
6. Business support	1
7. Car	1

*Respondents could name more than one thing.

Money and loans are still a big problem to get businesses sustainable. As mentioned earlier, no one can expect to start a business and run it sustainably with a loan of R13 000 that has to be paid back at an interest of 60%. To get patrons to buy at these shops owners need to market themselves their products and keep enough stock to provide un-delayed in the needs of their customers. At the moment this is not possible. Owners complained that the lack of finance hinders them to buy new stock and to do proper marketing.

As stated in the application form, for the Cape Metropolitan Council’s Community Job Creation and Economic Development Assistance Fund, the project wished to contribute towards “helping people of the Cape Metropolitan Area to **maintain and gain** access to economic opportunities by promoting job creation and supporting small business development in low income areas.” The project has definitely contributed towards creating jobs and giving access to economic opportunities, but when I asked the business owners whether they thought the Nomzamo Business Centre has contributed towards improving their quality of life, their views were rather enlightening.

**TABLE 6.2 HAS THE CENTRE
CONTRIBUTED TOWARDS IMPROVING YOUR LIFE?**

	NUMBER OF RESPONDANTS
Yes, the centre improved my life	8
No, it did not improve my life at all	6

As indicated above almost 60% of respondents felt that the centre has contributed towards improving the quality of their lives. For some businesses, being located at the centre creates a certain image. The owner of the hair salon indicated that the centre contributed to his business having a more professional image. The collection of businesses, according to him, also contributes towards the success of his business.

For others the mere fact that the centre located in Nomzamo contributed towards improving their lives by giving them employment close to home. So far 12 people are employed by either the centre or businesses located at the centre. One respondent even indicated that the centre improved his life because he can do his shopping at the centre where he is employed.

One respondent indicated that although she felt the centre did not make a big difference in her life at least she felt that she could make a difference in other peoples lives by giving them easy access to fast food. The owner of the video shop indicated that the centre definitely improved his life since he moved his business to the centre. The flow of people and the increased accessibility definitely improved his business and thus contributed towards improving his life.

Unfortunately 40% of the respondents indicated that the centre has not improved their lives at all. The owner of the bakery said that he ran his business at a loss and that it would be better for him if he ran his business from home. He struggles to pay the rent and does not see any advantage in being part of the centre.

Other respondents who indicated that the centre has not improved their lives said that there is no business coming to the centre. According to them, “*it is a boring place and nothing ever happens here.*” Others said that although the centre has not improved their lives yet, they hope for a better future with the centre being established there.

The owners of the Funeral Service indicated that their business has not improved at all since they moved their business from their house to the centre. They said it would have been better if they stayed at home.

People’s perceptions of safety can also contribute towards their understanding of their quality of life. Although no one mentioned safety as something they perceived as contributing towards their quality of life, I thought it would be interesting to hear how people perceived safety at the centre in comparison to their surrounding neighbourhood area. Of the business owners, 60% perceived the centre to be more secure and safe than the surrounding residential area of Nomzamo. Only 21% said they felt that the centre is not safer than the surrounding residential area. Another 21% indicated that to them there is no difference between safety at the business centre and safety in the residential area.

As indicated previously rent was set at R325 per month per shop, R170 per month for a smaller shop, R100 per month for a container and R2500 per month for the large anchor shop. When asked about the rent only one person out of the seven who answered the question indicated that he does not struggle with the rent. He said that his business is doing good and is willing to pay the extra premium for the increased exposure and safety he receives at the centre.

Another business owner said that although he struggles with the rent it is only due to the fact that he is just starting the business and ploughs most of his profit back into the business. According to Vuyu Kavi the project manager for the centre, businesses are encouraged to pay their rent, but will not be thrown out because they cannot pay their rent. He says that the centre should encourage entrepreneurship and not discourage business owners to try and make a success.

6.2 THE NOMZAMO RESIDENTS

I conducted several interviews with people doing their shopping on a Friday afternoon in the central business districts of Strand and Somerset West. More interviews were conducted at the Nomzamo Business Centre itself, on a Friday afternoon when most residents do their shopping. Their support for the Nomzamo business centre only in terms of shopping there is really not good as indicated in table 6.3.

**TABLE 6.3 SUPPORT FOR THE NOMZAMO
BUSINESS CENTRE FROM LOCAL RESIDENTS (N=20)**

SHOPPING AT THE NOMZAMO BUSINESS CENTRE	%
1. Three times a week	14
2. Twice a week	7
3. Once a week	14
4. Once a month	0
5. Once every six months	21
6. Never	42

People still only use the centre as a convenience shopping centre as indicated by the small percentage of weekly shoppers patronising the centre. People purchase items like envelopes, cigarettes, cellphone cards, beauty products, bread and electricity. One respondent indicated that she bought a bed at the second hand furnisher dealer.

Respondents, who indicated that they did not shop at the Nomzamo Business Centre, listed various reasons why they did not shop there. Some respondents are not the household decision makers and cannot decide where they want to shop. Others indicated that the centre has nothing that they need. They can get the items they need elsewhere.

People also shop where they work. Some respondents even indicated that they leave earlier from work on a Friday to be able to shop. People also said that they are used to shopping in Somerset West and will continue to do so because that is the way they have

always done it. Lack of income was also named as a reason why residents don't shop at the centre.

All respondents indicated that if either a larger supermarket shop, like a Score or a Savers Lane, or an ATM came to the centre, they would definitely patronise the centre more often. As no bank facilities are available in the township, residents are forced to travel to Somerset West or Strand to draw money there and then they have to travel back to Nomzamo if they choose to spend it at the Nomzamo Business Centre. Most said that they are scared they would be robbed along the way.

In terms of safety 50% indicated that they feel safer when shopping in the Strand/Somerset West central business district areas. 41% felt it is safer to shop in Nomzamo, while 8% said that robberies could take place anywhere and that they felt unsafe wherever they went.

The residents of Nomzamo again showed a diverse range of perceptions about what they felt could better their lives. The type of things normal residents wished for was quite different from what the business owners wished for. Table 6.4 gives an indication of what local residents perceive as a better quality live.

Although one or two respondents indicated that better shopping facilities would improve their quality of live, more showed an interest in their mediate needs being provided for, in terms of housing, toilets, clean water and electricity.

**TABLE 6.4 LOCAL RESIDENTS
PERCEPTIONS OF A BETTER QUALITY LIFE (N=20)**

THINGS THAT WOULD IMPROVE RESIDENTS “QUALITY OF LIFE”	NUMBER OF RESPONDENTS*
1. Toilets, water, electricity	4
2. House	4
3. Job, better quality job	6
4. Bigger shops in Nomzamo	2
5. Jobs and shops closer to Nomzamo	1
6. Money	2
7. Cheaper prices on groceries	1
8. Better transport	1
9. Schools	1

*Respondents could name more than one thing.

Surprisingly a large percentage, of Nomzamo residents indicated that they felt the Nomzamo Business centre contributed towards improving their lives. Table 6.5 shows what the residents of Nomzamo thought about the business centre.

**TABLE 6.5 HAS THE CENTRE
CONTRIBUTED TOWARDS IMPROVING YOUR LIFE?**

	NUMBER OF RESPONDENTS
Yes, the centre improved my life	12
No, it did not improve my life at all	3
No difference in my life	4

The overall positive reaction I received when I asked if the business centre contributed towards improving the quality of their life was rather surprising after the reactions I received when I asked about the perception on quality of life. Most respondents indicated that now that shops have located in a more central location, shopping is made easier for them.

Some noted the time, energy and money saved by the establishment of the centre. Some noted the relative safety of the centre compared to the residential area of Nomzamo. One respondent indicated that when he comes late from work he could quickly stop there to buy something. Some just noted the progress that they see around them, namely the business centre, as an improvement in their lives.

The respondents that indicated that the centre made no improvement in their lives, noted that they would rather prefer something tangible for themselves, like a house or a toilet. One lady said that if only the centre was bigger and managed to attract an anchor tenant, then she would feel a contribution towards the improvement in her life. Some noted the empty promises made before the start of the project, which have not yet been delivered on.

Ironically, most of the respondents that indicated that the centre contributed towards improving their lives did not patronise the centre on a regular basis. This I ascribe to the fact that people perceive any form of development, renewal or betterment of their surroundings as improvements in their lives. As was indicated in table 6.4, the type of things people perceive as improvements are tangible things like houses, running water, electricity, toilets etc. Although they may not make direct use of such developments, the fact that such developments are taking place in the area they call home, brings forth the perception that such developments are contributing towards improving their lives.

6.3 THE PROBABILITY STUDY

As was discussed in section 3.5.1 it is possible to work out the probability of a customer at any given point of origin to travel to a particular shop. With this probability one is able to work out the expected number of consumers, who are likely to travel to a particular shop or centre. I decided to work out the expected number of consumers, who are likely to travel to the Nomzamo business centre, in the instance of no magnet store establishing at the centre and in the instance of one establishing there. These results will then be

compared to the number of consumers in the same areas who patronise local spaza shops⁴.

Map 2 on page 75 of Chapter 6 is an aerial photograph of Nomzamo, clearly showing the Nomzamo Business Centre at the centre of the area. Six circles, each 100 metres apart, divide the area. Three zones will be used during our analyses. Zone A, the area inside the 200 metre radius, Zone B, the area between Zone A and the 400 metre radius and Zone C, the area beyond the 400 metre radius.

Table 6.6 shows all the attributes of each zone. The surface area of Zone A⁵ equals 125 600 m² or 11.1% of the total area, Zone B⁶ equals 376 800 m² or 33.3% of the total area, while Zone C⁷ equals 628 000 m² or 55.5% of the total area. According to Table 5.1 the total population of both Lwandle and Nomzamo equals 25 000 people. Since both areas are roughly equal in size it would be fair to say that Nomzamo has a total population of 12 500 people, half of the total population for both areas. Zone A which captures 11.1% of the total area can then be said to have a total population of 1 389 people⁸, Zone B (33.3%), 4 167 people⁹ and Zone C (55.5%), 6 944 people¹⁰.

TABLE 6.6 THE ATTRIBUTES OF EACH ZONE

	SIZE OF AREA m ²	%	NUMBER OF PEOPLE	NUMBER OF SPAZA SHOPS AND THEIR SIZE		TIME CUSTOMER TRAVELS TO:	
						SPAZAS	NBC
ZONE A	125 600 m ²	11.1%	1 389	20	200 m ²	1.5 min	2.4 min
ZONE B	376 800 m ²	33.3%	4 167	30	300 m ²	1.5 min	4.8 min
ZONE C	628 000 m ²	55.5%	6 944	50	500 m ²	1.5 min	7.2 min
TOTAL	1 130 400 m ²	100.0%	12 500	100	1 000 m ²		

⁴ Spaza shops refer to all types of informal retail activities taking place in the area of Nomzamo.

⁵ Zone A = $\pi r^2 = \pi 200^2 = 125600 \text{ m}^2$.

⁶ Zone B = $\pi r^2 - \text{Zone A} = \pi 400^2 - 125600 = 376800 \text{ m}^2$.

⁷ Zone C = $\pi r^2 - (\text{Zone A} + \text{Zone B}) = \pi 600^2 - (125600 + 376800) = 628000 \text{ m}^2$.

⁸ Zone A = Total population for Nomzamo * % Zone A takes up of the total area of Nomzamo.

⁹ Zone B = Total population for Nomzamo * % Zone B takes up of the total area of Nomzamo.

¹⁰ Zone C = Total population for Nomzamo * % Zone C takes up of the total area of Nomzamo.

According to Table 5.8, the total number of informal retail outlets (spazas) in the area of Lwandle and Nomzamo with which the Nomzamo Business Centre will have to compete equals 214 businesses. Again I can argue that roughly half of these businesses would be in Nomzamo, which gives the Nomzamo area a total of 100 informal retail businesses. Each Zone will again receive an amount of businesses proportional to its size, with an increase in the amount of businesses in Zone A due to the natural phenomenon of centripetal pull factors.

The number of informal businesses allocated to Zone A equals 20 businesses, Zone B, 30 businesses and Zone C, 50 businesses. The sizes of these informal businesses are estimated at 10 m² each, which gives a size of 200 m² for Zone A, 300 m² for Zone B and 500 m² for Zone C. The total lettable space for the Nomzamo Business Centre amounts to 810 m² of which 255 m² is allocated to a possible anchor tenant.

As was indicated in section 3.4 the average walking time prescribed in the Metropolitan Spatial Development Framework was 12 minutes per kilometre. This gives a 1.2 minute walking time per 100 metres. Times travelled to the business centre will thus be calculated using this estimated time multiplied by the distance in metres travelled from the outer edge of each Zone. Zone A will have a 2.4 minutes¹¹ walking time, Zone B a 4.8 minutes¹² walking time and Zone C a 7.2 minutes¹³ walking time. Times travelled to spaza shops will be estimated at 1.5 minutes walking time as spazas are believed to be distributed equally over the different zones and at least within 100 metres walking distance.

The parameter, which reflects the effect of travel time on various kinds of shopping trips, is estimated to be below two. Claassen (personal interview) has found that a parameter set at higher than two puts too much of a constraint on the time a customer is willing to

¹¹ Zone A walking time to business centre = average walking speed per 100 metres * amount of metres walked = $1.2 * 200 / 100 = 2.4$

¹² Zone B walking time to business centre = average walking speed per 100 metres * amount of metres walked = $1.2 * 400 / 100 = 4.8$

¹³ Zone C walking time to business centre = average walking speed per 100 metres * amount of metres walked = $1.2 * 600 / 100 = 7.2$

travel. It is accepted that the kind of products sold by spaza shops and the shops at the business centre are all the same in terms of time willing to be travelled by consumers to acquire those products. These stores compete mostly in a market that caters for convenience goods, which require a high parameter, in this case two. The parameter will also be set at one to see what effects the parameter has on the outcome of the formula.

In the instance of an anchor tenant establishing at the centre, the willingness of consumers to travel to the centre will increase. This is reflected by a smaller parameter, in this case set at one. The willingness of consumers to travel to the spaza shops will however remain the same, as they still sell convenience goods.

As was discussed in chapter 3 the formula to determine the probability of a customer patronising a specific shop is:

$$P_{ij} = \frac{\frac{S_j}{T_{ij}^\lambda}}{\sum_{j=1}^n \frac{S_j}{T_{ij}^\lambda}}$$

Where P_{ij} = the probability of a consumer to travel from point i to shop j ;

S_j = the size of shop j ;

T_{ij} = the travel time involved in getting from point i to shop j ;

λ = the parameter estimated to reflect the effect of travel time on shopping trips

Table 6.7 shows what the probability is for a consumer, at any of the three different zones, to patronise either the centre without an anchor tenant or the local spaza shops, as well as the expected number of consumers for each zone, likely to visit the centre or the local spaza shop. Table 6.8 shows what the probability for a consumer is, at the three different zones, to patronise either the centre with an anchor tenant or a local spaza shop with also the expected number of consumers likely to visit either the centre or the local spaza shop.

TABLE 6.7 THE PROBABILITY AND EXPECTED NUMBER OF CONSUMERS AT DIFFERENT POINTS THAT WILL PATRONISE EITHER THEIR LOCAL SPAZA OR THE BUSINESS CENTRE WITHOUT AN ANCHOR TENANT

	POPULATION	NUMBER OF SHOPS	SIZE OF SHOPS	TOTAL SHOP SIZE	WALKING TIME	PARAMETER λ	PROBABILITY	NUMBER OF CONSUMERS
ZONE A	1387							
CENTRE		1	585 m ²	585 m ²	2.4 min	2	0.53	739
SPAZAS		20	10 m ²	200 m ²	1.5 min	2	0.46	647
ZONE B	4162							
CENTRE		1	585 m ²	585 m ²	4.8 min	2	0.15	665
SPAZAS		30	10 m ²	300 m ²	1.5 min	2	0.84	3496
ZONE C	6937							
CENTRE		1	585 m ²	585 m ²	7.2 min	2	0.04	335
SPAZAS		50	10 m ²	500 m ²	1.5 min	2	0.95	6601
	POPULATION	NUMBER OF SHOPS	SIZE OF SHOPS	TOTAL SHOP SIZE	WALKING TIME	PARAMETER λ	PROBABILITY	NUMBER OF CONSUMERS
ZONE A	1387							
CENTRE		1	585 m ²	585 m ²	2.4 min	1	0.64	896
SPAZAS		20	10 m ²	200 m ²	1.5 min	1	0.35	490
ZONE B	4162							
CENTRE		1	585 m ²	585 m ²	4.8 min	1	0.37	1575
SPAZAS		30	10 m ²	300 m ²	1.5 min	1	0.62	2586
ZONE C	6937							
CENTRE		1	585 m ²	585 m ²	7.2 min	1	0.19	1359
SPAZAS		50	10 m ²	500 m ²	1.5 min	1	0.80	5577

In Zone A, with the parameter set at two, to put a constraint on the time willing to be spend by consumers buying convenience goods, the probability that a consumer will buy at the business centre with no anchor shop (0.53) is greater than the probability that a consumer will buy at the local spaza shops (0.46). In Zone B the probability for a consumer to buy at the business centre with no anchor (0.15) is much smaller than the probability that he will buy at the spaza shops (0.84). The probability that a consumer from Zone C will buy at the business centre with no anchor (0.04) is almost zero compared to the 0.95 for the spaza shops.

With the parameter set at one the same pattern emerges except that the differences between probabilities for spazas and the centre is smaller. The number of consumers who patronise the centre with the parameter set at two equals 1 739 customers, while 10 744

customers patronise local spaza shops. With the parameter set at one a total of 3 830 customers patronise the centre, while 8 653 customers will make use of spaza shops.

TABLE 6.8 THE PROBABILITY AND EXPECTED NUMBER OF CONSUMERS AT DIFFERENT POINTS THAT WILL PATRONISE EITHER THEIR LOCAL SPAZA OR THE BUSINESS CENTRE WITH AN ANCHOR TENANT

	POPULATION	NUMBER OF SHOPS	SIZE OF SHOPS	TOTAL SHOP SIZE	WALKING TIME	PARAMETER λ	PROBABILITY	NUMBER OF CONSUMERS
ZONE A	1387							
CENTRE		1	810 m ²	810 m ²	2.4 min	1	0.79	1095
SPAZAS		20	10 m ²	200 m ²	1.5 min	2	0.20	227
ZONE B	4162							
CENTRE		1	810 m ²	810 m ²	4.8 min	1	0.55	2289
SPAZAS		30	10 m ²	300 m ²	1.5 min	2	0.44	1831
ZONE C	6937							
CENTRE		1	810 m ²	810 m ²	7.2 min	1	0.33	2289
SPAZAS		50	10 m ²	500 m ²	1.5 min	2	0.66	4578

With the parameter for the centre set at one to indicate a consumers willingness to travel further to patronise the centre and the parameter for the spaza set at two to indicate that consumers will be less likely to travel to far to patronise the spaza shops, the probability for consumers to patronise the centre increases to as much as 0.79 in Zone A. In Zone B the probability for consumers to patronise the centre (0.55) remains higher than the probability for consumers to patronise local spazas (0.44). In Zone C spazas (0.66) attract more customers than the centre (0.33) when distance becomes to much of a constrain. The total amount of customers attracted by the centre equals 5 673, while the spazas managed to attract 6 636 customers.

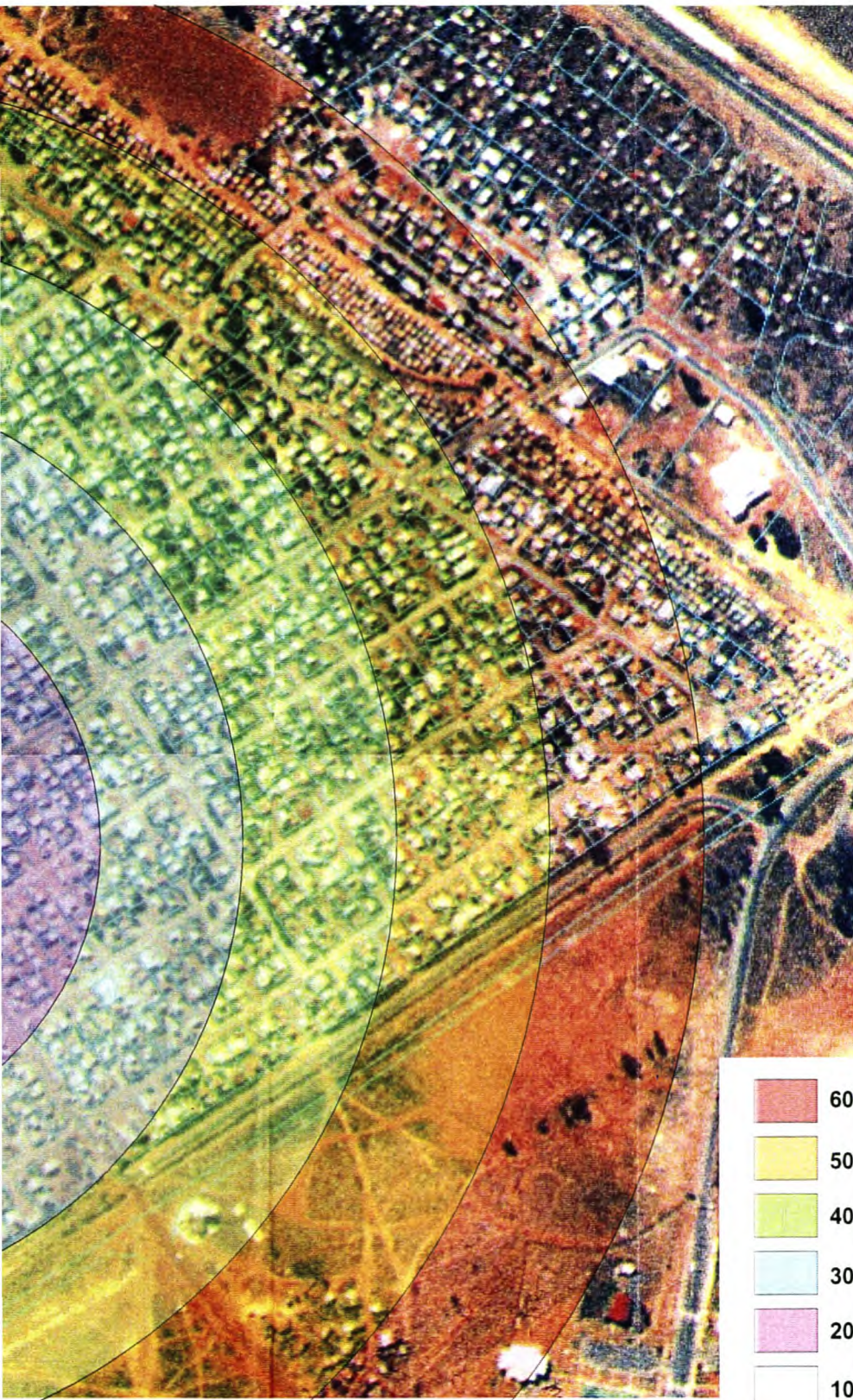
The probability analyses show that the Nomzamo Business Centre is in strong competition with local spaza shops. With the type of convenience products most of the businesses at the centre sell, they are not likely to pull many of the customers away from local spaza shops, who sell the same products at the same prices. Table 6.7 clearly shows that the business centre, without an anchor shop only pull more customers than the spaza shops, in Zone A.


With an anchor tenant establishing at the centre the probability increases dramatically for customers to patronise the centre. The total amount of customers willing to travel to the centre increases from 1 739 customers willing to travel to the centre with no anchor to 5 673 customers willing to come to a centre with an anchor. Spazas however still managed to attract more customers overall, even with an anchor shop establishing at the centre.

The way in which the parameter influences the outcome of the formula is minimal. Table 6.7 shows that when the parameter is set on one there is a slight increase in the number of consumers who patronise the shopping centre, as appose to two. This shows that the amount chosen to reflect the parameter (either one or two) does not influence the outcome of the formula that much. What table 6.8 shows is that the difference between the parameters chosen to reflect travel time for convenience shopping and more specialized shopping does influence the outcome of the formula more dramatically. This means that the parameter is a good indication of how travel time influences various kinds of shopping trips.

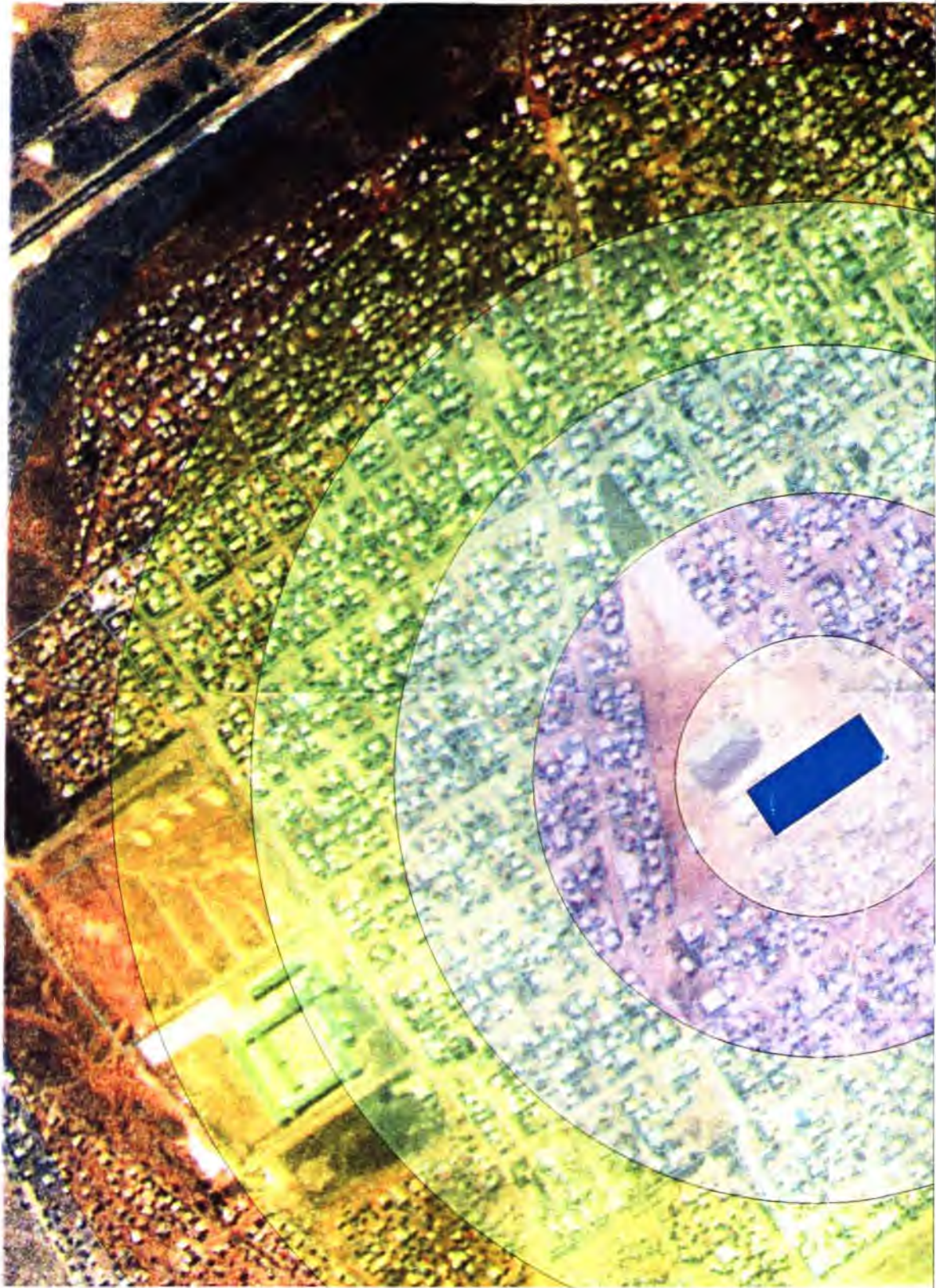
The Nomzamo business centre's market area is not very big. One could say that their sphere of influence does not stretch very far from the centre. Even if an anchor tenant establish at the centre, the centre would still struggle to compete with local spaza shops as shown in both tables 6.7.and 6.8. At present the centre does not compete with the Central Business Districts of either the Strand or Somerset-West, where most residents of Nomzamo still continue to do their shopping.

DIFFERENT ZONES USED IN THE STUDY



-  600m radius
-  500m radius
-  400m radius
-  300m radius
-  200m radius
-  100m radius
-  Shopping Centre

MAP2 ARIAL VIEW OF NOMZAMO INDICATING T



7. CONCLUSION

Introducing formal retail to marginalized communities does enhance the quality of life of people living in these communities. As was shown by the interviews conducted in chapter 6, both business owners and residents of Nomzamo concluded that they saw the introduction of the Nomzamo Business Centre as an improvement in their quality of life. One could of course argue about the success of the centre in terms of return on investment for a public entity. Was the advantages gained really worth the R1.7million investment?

The fact remains that these marginalized communities which form part of all South African cities, remain economically unattractive for formal retail business because of past Apartheid policies. A drastic, imbalanced pattern of business activity continues in these areas, with an over representation of informal retail businesses, mostly in the form of spaza shops.

Mehlo Media (1999:17) in its report on the businesses of Lwandle and Nomzamo indicated that the emphasis on informal retail business would have to shift, in order for the local economy to grow and for local businesses to thrive. The profile of the business community will also have to change over time, with more formal businesses emerging in the area. Melho Media (1999:17) suggested establishing new ventures that focus on service-, education-, tourism-, manufacturing- and transport industries. Although this may not sound very realistic at this stage, economic development in these marginalized areas must start somewhere.

Settlements similar in size to that of Lwandle and Nomzamo have experienced investor interest by various retail outlets and franchises. Numerous examples exist, of retail developments in the form of smaller scale centres. Many of these centres that have already been built in black townships have not been as successful as previously hoped. Until now most of these developments have focussed on community centres in access of

15 000 square meters. These centres are simply too big and far apart to supply in the daily needs of the consumer (Muller, 1997).

Muller (1997) quotes Rodney Squire-Howe, managing-director of Norwich Properties, who said: *“if the developer presents the right product to the market in terms of centre size and design any centre that is built in a black area can deliver market-related returns. Developments like convenience- and neighbourhood centres are the type of retail product that is currently having the biggest success in black areas”*.

The development of the Nomzamo Business Centre tried to be the start of a new economic development process for the area. According to Oosthuizen (personal interview), the building of the business centre is only one step in the ongoing process of economic development for the area of Nomzamo. The establishment of the Help desk in the area will ensure that business people undergo constant and continued training and that information related to their business be made available to them free of charge.

Mehlo Media (1999:18) suggested that specific businesses and identified business people, who showed success and aptitude for running a business, should be targeted with programmes that will lead to the development of non-retail economic activities. The general business community should also be targeted with information programmes that will make them aware of services and support available to them.

The probability studies, done in chapter six, did however show that the Nomzamo Business Centre does not draw many customers away from local informal shops (spazas), with whom they compete. One could say that the business centre's sphere of influence is rather small. At present the business centre sells more or less the same type of convenience products than most of the spaza shops. The centre then does not compete with the Central Business Districts of either the Strand or Somerset-West, but with local businesses situated in Nomzamo.

This means that the Nomzamo Business Centre will never be a success unless it can take the place of local spaza shops. The Nomzamo Business centre will never be able to compete with the Central Business Districts of the areas around it, as the Nomzamo Business Centre is only a neighbourhood centre.

According to Oosthuizen (personal interview), ongoing and continued investment in the area will eventually ensure the development of non-retail economic activities. Continued economic growth and poverty reduction will ensure that survival retail activities are replaced with new ventures that will add value to locally produced products.

This will however not happen solely due to the establishment of a business centre in a community. The business centre is not strong enough to pull many people away from the local spaza shops even with an anchor shop as was seen in chapter six. Continued investment, education and support, for local businesses that show potential to change the look of the local economy, is needed. The support for the local business people should intensify only after the completion of the centre.

In Chapter 4 I discussed three strategies available to government to support small businesses. Most business owners complained about the lack of finance as their greatest stumbling block. Though I am not a great supporter of subsidies and grants, I do support the idea of government providing special loans at discounted rates to assist small business owners in the establishment of their businesses.

Government can become more involved in the provision of training, to stimulate the creation of business in sectors other than retail. The creation of partnerships between established businesses in other areas and local upcoming business people of Nomzamo could be initiated, through government involvement. The provision of timely as well as relevant information to local business people could help foster the creation of businesses in new industries.

The Nomzamo Business Centre also adheres to most of the principles of retail location, as discussed in chapter 3. The area of Nomzamo is definitely big enough to support such a centre. According to table 5.1 the average annual income for the area of Lwandle and Nomzamo is estimated at R86.4 million. This means that the area of Nomzamo can at least earn an annual income of R40 million, more than enough to support a local business centre of that size.

The focus of the centre should remain on daily user-articles like groceries and convenience products. Although the centre might struggle at this stage to compete with local informal businesses, a change to a more balanced local economy will bring lasting prosperity to the Nomzamo Business Centre. The site chosen in Nomzamo, for the development of the centre, ensures maximum accessibility to the market area. The centre remains within walking distance of most residents, which means patrons can only increase as the face of the local economy change.

Future growth in total business volume for the centre can be expected, because of mounting population growth as well as growth in income. The Nomzamo Business Centre is located on premises that maximises site economics. The cost of the premises was extremely low, while productivity can only increase.

Perhaps one could question whether the business centre should not have been built at a later stage. Perhaps investments should first have been made in trying to change the face of the local economy. Try and make the local economy more balanced by developing new industries in other sectors. As was already indicated, the establishment of the centre itself will not make the local economy more balanced because it fails to draw customers away from local informal businesses.

What the development of the Nomzamo Business Centre did do was to create a platform, stabilizing the environment on which future changes in the local economy can take place. If changes do start to take place and the local economy of Nomzamo become more diverse, local retail businesses will have to be accommodated somewhere. The Nomzamo

Business Centre brings formality to the retail sector of the area, something suggested by Mehlo Media as a necessity to ensure future economic growth. The building of the Nomzamo business centre thus contributes to the enhancement of the quality of life experienced by local residents and business people alike.

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9. LIST OF INTERVIEWS

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Kavi, V. Project Manager, Nomzamo Business Centre.

Oosthuizen, H. Director of Economic Development, Helderberg Municipality.

10. APPENDIX

10.1 SURVEY: NOMZAMO BUSINESS CENTRE, SHOP OWNERS

- Name

- Name of Business

- What type of products do you sell

- How long have you had this business?

- Did you have a business before you moved to the Nomzamo Business centre?
What type of business?

- Since you moved to the centre, or started your business here, has your business increased, decreased or stayed the same?

- How much rent do you pay? Are you struggling to pay your rent?

- In your opinion what do you see as a better quality life?

- Do you think the Nomzamo business centre has improved the quality of your life?

- How safe do you feel when operating this shop?
1.very safe 2.safe 3.average/okay 4.somewhat unsafe 5.unsafe

10.2 SURVEY: LOCAL RESIDENTS OF NOMZAMO

- How often do you shop at the Nomzamo Business Centre?
- At which stores do you shop?
- Why don't you shop at the other shops?
- If there was a bigger supermarket, a Bank or an ATM at the Centre would you go to the Centre more often
- How safe do you feel while shopping at the centre compared to shopping at a spaza shop in Nomzamo or shopping in the Central Business Districts of Somerset-West or Strand.
- In your opinion what do you see as a better quality life?
- Do you think the Nomzamo business centre has improved the quality of your life?