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CLASSIFICATION AND HIERARCHY OF RETAIL FACILITIES IN SOUTH AFRICA

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1. RETAIL AS A VERY UNIQUE URBAN LAND USE

Retail land uses constitute a **significant part** of the urban environment in all **developed**, as well as in a substantial and growing proportion of **developing countries**. In South Africa there are ± 1 619 formal shopping centres ranging from 1 000m² up to almost 150 000m². These centres represent ±17 million m² of an estimated 37million m² of all retail facilities. South Africa is one of very few countries where the unplanned and planned retail is almost on the same level. This clearly indicates the tempo at which planned shopping centre development has accelerated during the last 25 years.

The retail sector of the local economy represents almost 14% of the total Gross Domestic Product (GDP) of South Africa, and almost a million people are employed in a very large number of stores throughout the country. The annual sales from all these retail facilities are over R524 billion.

Retail development in South Africa is strongly influenced by what is happening worldwide. Current worldwide **economic conditions** are also impacting on the retail sector in South Africa. It is therefore of utmost importance to **understand global economic trends** and the impact on retail development. Shopping centre development in South Africa is also strongly influenced by what is happening in the USA. Urban sprawl and high motor car ownership are the main reasons for following the USA model of retail development. Traditional rural retail development closely corresponds with what is happening elsewhere in Africa where the level of urbanisation is still low.

Town planners, urban geographers, property developers and retailers have a particular interest in the spatial and hierarchical organisation of retailing within metropolitan areas, cities, towns and villages. Berry (1963) developed a broad classification of retail facilities. He identified **three** main components namely: (see Diagram 1.1)

- centres
- ribbons and
- specialised areas

Shopping centres demonstrate a hierarchical arrangement with a [1]**low-order** isolated convenience store (small grocery store) and a neighbourhood centre, both offering low order and a few [2]**higher-order** facilities (variety of clothing and household stores). At regional level the most specialised stores, as well as department stores are represented.

Ribbon developments incorporate those retail and service functions mainly orientated to vehicular traffic, including filling stations, fast-food restaurants, motorcar and tyre dealers, nurseries and other similar operations. These functions serve demand created by motorcar customers. Arterial streets with the highest traffic volumes are the most densely developed.

[1] Low order facility refers to a product/store visited frequently for daily use/consumption
[2] A higher order facility refers to a product/store that needs a large number of people to warrant the existence of such a facility.

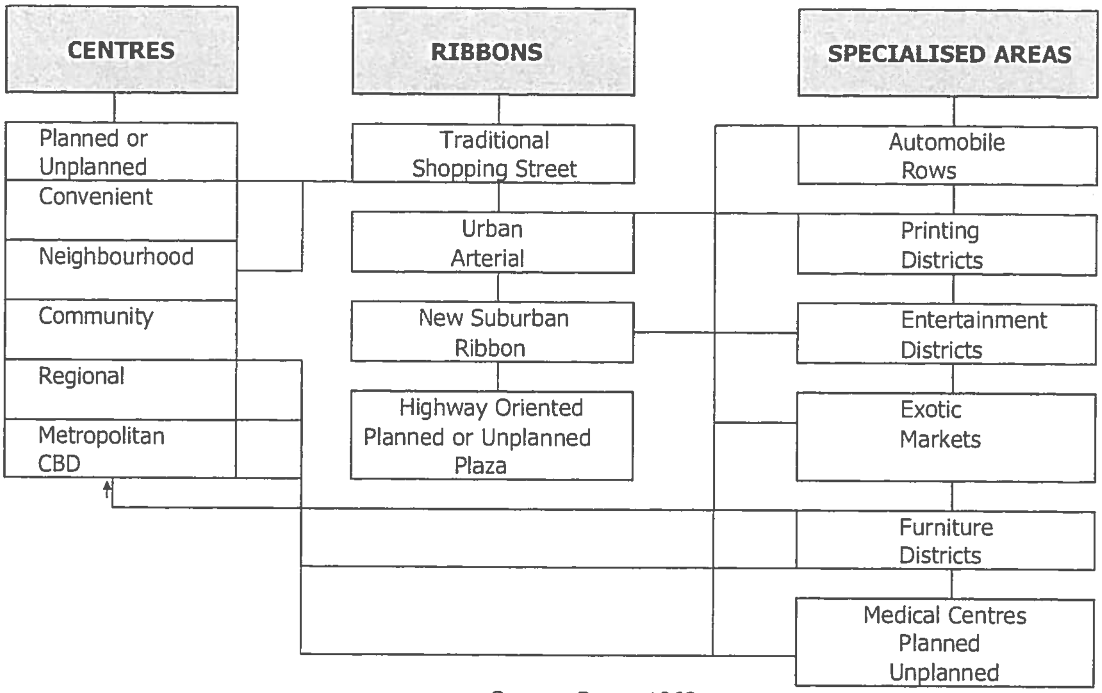
The intersections of two or more major arterials create higher development intensity. Some commercial ribbon streets stretch for kilometres.

Large metropolitan areas also have **specialised function areas**. These are characterised by motor car showrooms and professional office clusters (doctors, dentists and lawyers). Specialised function areas require good accessibility because they draw customers from the entire metropolitan area.

This retail classification remains the most **suitable** to describe the retail landscape today, and is especially appropriate to explain the **hierarchy** of shopping centres.

DIAGRAM 1.1

METROPOLITAN RETAIL STRUCTURE, AFTER BERRY



Source: Berry, 1963

Note: Berry did not indicate any specific sizes for different types of centres.

These categories are not mutually **exclusive,** with many retail functions being found in more than one location. This early model also provided a basis for a more modern classification.

Inner city retailing has been dominated historically by the **unplanned** shopping area, comprising the CBD, speciality product areas and retail clusters at major route intersections. Planned inner-city shopping areas are a more recent development trend.

The classification of **planned suburban shopping centres** is essentially hierarchical, ranging from the neighbourhood shopping centre to the regional and super regional centre. The characteristics of each reflect a different number of stores, store types, total area, selling area, number of parking bays, customer profile and foot traffic volume, rental levels and different trading areas.

The **retail strip** can be differentiated primarily according to location. Strip retailing has an effect on the dominance of a motor car orientated urban shopper.

Many **other** classifications of urban retail types exist and the above mentioned provide a general conceptual framework for understanding the complexity of the retail environment.

All this confirms the dynamic nature of retail as new products, store types; market segments, retail locations and architectural styles emerge. The structure of retail is continuously **changing**, and therefore a more open approach should be followed as far as retail development and redevelopment is concerned.

2. MAJOR RETAIL TYPES - CLASSIFICATION AND HIERARCHY OF RETAIL FACILITIES

The first group of retail types refers to **planned shopping centres** covering the full hierarchy of retail facilities ranging from super regional centres to small local convenience centres. The second group comprises planned specialist/focus/niche centres and airport retail. The third group includes unplanned (also referred to as incremental development) town centre/inner city developments and the fourth group deals with rural retail development. See Table 2.1 for a summary of all the different retail types.

TABLE 2.1

PLANNED AND UNPLANNED RETAIL TYPES IN THE WHOLE SPECTRUM OF RETAIL FACILITIES

Planned		Unplanned	Rural
Core Classification • Small free standing convenience • Neighbourhood • Community • Small regional/ large community • Regional • Super Regional	**Specialist** Big Box Retailers Entertainment/casinos Lifestyle Value Hyper Motor showrooms and related facilities Filling station stores Airport retail Centres at Railway Stations Organised Flea markets	• CBD/Town Centre • Taxi rank retail/ commuter centre • Informal Traders • Spaza shops • Fresh produce markets • Informal trade	• Rural retail taxi orientated • Town centers • Informal trade • Spaza shops • Planned shopping centres

The **market characteristics** of each type of centre should be well understood and taken into consideration in the planning process for a specific type centre. The most important to be included are the age and lifecycle profile, socio-economic status, disposable income and expenditure levels, as well as different lifestyles of a particular area.

The local **conditions of individual markets** should be considered. For example, the development of centres as part of **coastal towns** has different threshold values and the focus should be on the permanent residents living in the town. The peak tourist months should be regarded as additional support, and not part of the long-term sustainability of a centre.

2.1 Hierarchy of South African Shopping Centres in mainly metropolitan areas – Adjusted Model Kahn and Prinsloo

Most international models **were inadequate** to address the entire retail structure and especially South African circumstances. The hierarchical model developed by Prof Kahn (1988) was updated and adjusted for a much better understanding of the urban and metropolitan retail market in South Africa. The following additional aspects were incorporated in this model:

- The difference in **disposal income** amongst **different socio-economic groups is reflected in the use of the LSM classification**. This segmentation model is also used by most retailers to differentiate their products and markets;

- The level of **transport mobility** of the consumer in South Africa has a major impact on how different shopping centres are being supported. The emphasis is on **car ownership** which is increasing in most of the middle and upper income categories. **Taxi transport** is also very important with a direct influence on the development of retail facilities;

- Different **threshold values** for different product categories have a direct impact on the whole hierarchy of shopping centres. The threshold values clearly indicate how many households of a specific LSM group are required to warrant retail of any kind;

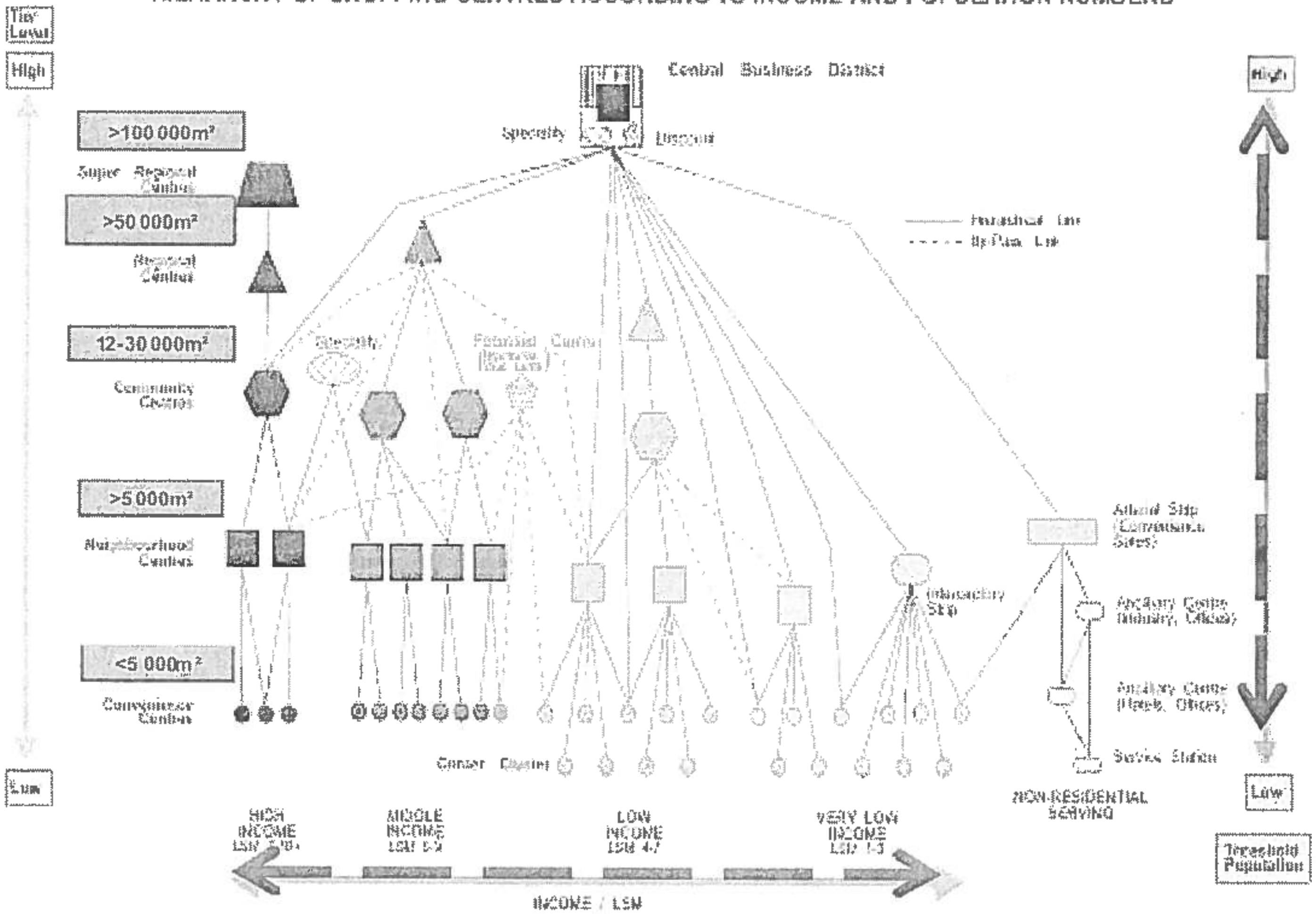
It is also of utmost importance to note that the hierarchy of shopping centres consist of **different levels and tiers** of representation, depending on the size of the population and available disposable income. In the metropolitan areas the hierarchy will offer retail facilities ranging from small neighbourhood centres to super regional centres. See Diagram 2.1.

In large towns and smaller cities the hierarchy include **fewer levels** while in rural areas the hierarchy consist of only one or two levels (See Diagram 2.2).

This model is continuously **changing** because of changes in aspirations and rising incomes, increase in mobility and new product/retailers entering the market. The hierarchy and type of shopping centres is part of an evolutionary process where new attractive marketing applications are applied all the time. This is also the reason for the wide variety of typologies and different retail formats.

DIAGRAM 2.1

HIERARCHY OF SHOPPING CENTRES ACCORDING TO INCOME AND POPULATION NUMBERS



Kahn and Prinsloo (2009)

2.2 Hierarchy of South African Shopping Centres in mainly rural areas and large towns - Model by Prof Kahn

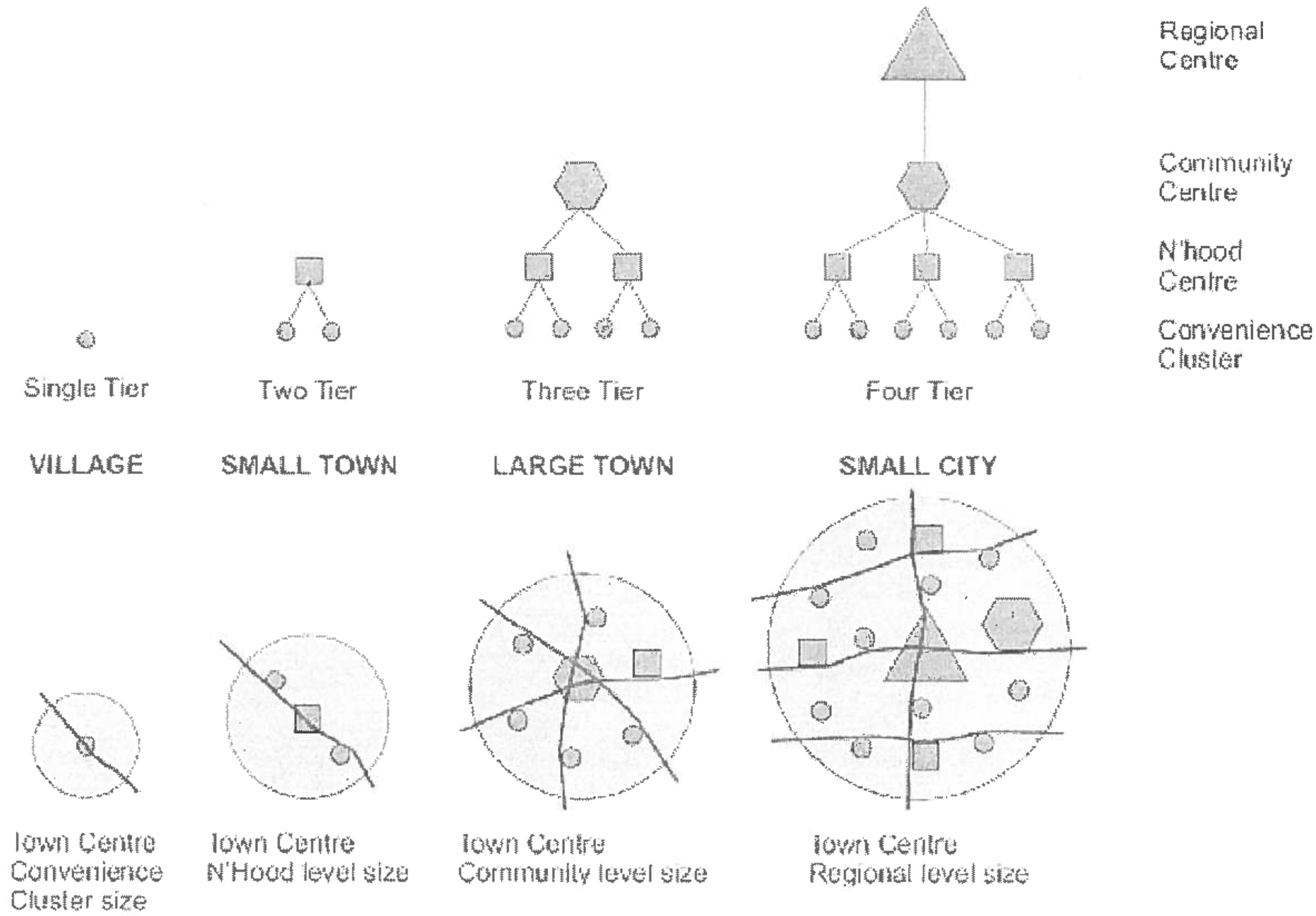
It should be noted that the types, sizes and locational structure of shopping facilities in any settlement are a function of the size and type of settlement. Consequently, a **full hierarchy** of facilities are only found in large metropolitan areas, whereas a more limited hierarchy occurs in smaller settlements.

Diagram 2.2 gives an indication of the different town centre sizes and the role they play in different size settlements. The village represents a one tier retail hierarchy with small retail stores offering a full spectrum of food, clothing and service facilities. As the size of the settlement increases, the level and the number of retail facilities also increase. The most prominent rural retail offering is restricted to a large town where mainly a two/three tier retail hierarchy is present. The largest retail offering in this regard is found in small cities where up to a four tier retail offering could be represented. This however becomes closer to the large urban and metropolitan areas with a well established hierarchy of shopping centres.

As indicated in Diagram 2.2 the retail facilities on different levels are all dependent on a central accessible location.

DIAGRAM 2.2

RETAIL FACILITIES ON DIFFERENT LEVELS



3. MAJOR RETAIL TYPES: PLANNED SHOPPING CENTRES

The following is a detailed description of all the different retail types forming part of a metropolitan retail structure from the smallest filling station to a super regional mall. The information provided for each retail type will include the following:

- Role and function
- Broad indication of the size of a typical centre measured in Gross Leasable Area (GLA)
- Location criteria
- Market characteristics and threshold values
- Tenant mix
- Trends and changes
- Actions to create retail development

3.1 Small Free Standing and Convenience Centres

Role and Function

The function offered by these centres is mainly **express convenience**, including a café/small food store, takeaway foods, DVD stores, banks and ATM facilities.

Description

This retail facility aims at satisfying the **local** needs of the residents within one or two adjoining suburbs. Such a facility could be a single building or a number of buildings located in close proximity to each other to provide a single destination. These centres could consist of one tenant or a number of very small tenants.

Size (GLA)

Size of centre (m^2) (GLA)	Number of stores	Size of land (ha)
500-5000	5-25	0.15-1.5

Location criteria

These centres are usually located on collector streets in suburbs. Most of these centres require customers to get to the centre by car, but are often also located within walking distance of a large proportion of the local population. The close proximity of a taxi rank will add to the market strength of a convenience centre.

Average radius of primary trade area	Median travel time to the centre	Access requirements
1-1.5km	2-3min	Suburban street or minor collector road

Market characteristics and threshold values

For a successful small free standing and convenience centre, the following threshold values and market support are required:

LSM [3]groups	Number of households	Population
LSM 1-5	<10 000	<40 000
LSM 6-9	<4 500	<15 000
LSM 10-10+	<2 000	<7 000

Tenant mix

- **Anchor tenant**: Usually smaller than ±1 000m² with the typical tenants being a café, superette, Woolworths Food or other smaller grocery stores such as Kwik Spar or Pick n Pay Daily.
- Other tenants for these centres are convenience retailers including a pharmacy, deli, butchery, video store, hairdresser, dry cleaner, liquor store, florist and a hardware store. Small eating places/fast-food outlets could be accommodated depending on the micro location.

Trends and changes

Over the last 5 – 10 years the popularity of these centres has mainly been the result of more and better supermarket/grocery/food offerings. With changes in shopping behaviour the emphasis is also more on express food, prepared foods and an attractive offering. Small food anchors like Woolworths Food have moved into these type centres to improve the attractiveness, to increase the trade area and to offer a specialised product. Apart from Woolworths Food stores, other major grocery groups also followed with specific quality/prepared food offerings e.g. Pick n Pay Daily. The **trend worldwide** as far as supermarkets are concerned is the following:

- for grocery stores to become **smaller** and to offer a **unique product** to the more sophisticated shopper, or
- to offer a **broad range of supermarket products** to the broader market.

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[3]The following are examples of different suburbs depicting a specific LSM profile:
LSM 10 and 10+: Umhlanga, Bryanston, Morningside, Woodhill, Mooikloof, Constantia, Summerstrand
LSM 7-9: Bluff, Roosevelt Park, Villieria, Rietfontein, Kuilsrivier, Bellville, Kabega
LSM 5-6: Chatsworth, Cosmo City, Soweto, Vosloorus, Mamelodi
LSM3-4: Umlazi, Hammanskraal, Orange Farm, Sebokeng
LSM 1-2: Ndwedwe, Masinga, Lusikisiki, Sterkspruit

It is most likely that in future these centres will keep on growing. A major need exists in the township areas to provide more localised convenience /neighbourhood centres. The current trend in the township areas is to focus on neighbourhood, community and in some cases, on regional centres.

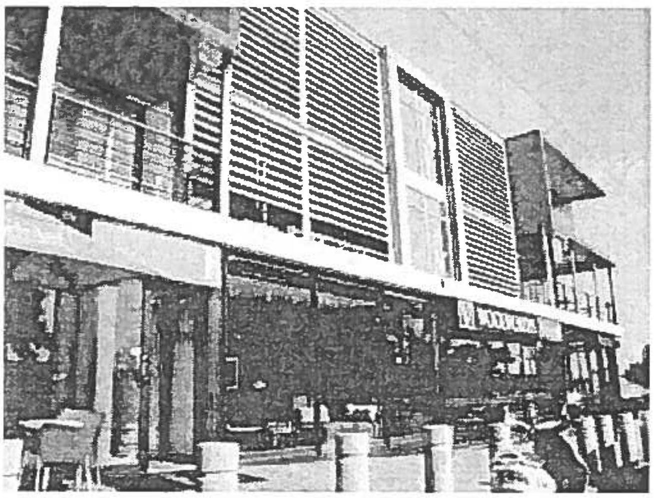
Actions to guide retail development

The potential will mainly be determined by the local population, the location of the proposed centre, as well as the anchor tenant. **Some anchor tenants** in this category are more successful than others. In most cases shoppers have a very specific preference based on the product range, the quality and price, the operator, the service, business hours, parking and security, all factors which will impact on the success of these centres.

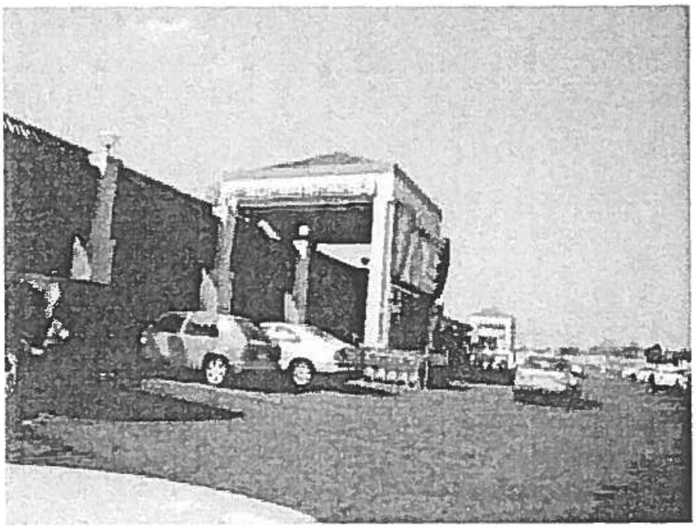
Many of these centres currently need a **refocus and revamp**. Many are old and offering poor retail facilities. This type of facilities are very popular as part of town centres.

The redevelopment and expansion of small free standing centres (<1 000m²) **should be encouraged** to move to the level of a convenience centre and to focus mainly on upgrade and expansion.

Growth in these types of centres will probably occur in the new residential growth areas in suburbs and townships. Currently, each of the major township areas makes provision for centres on this level. The 'follow-the-roofs' strategy should be implemented in this case. **At least 60%** of the required number of households should be occupied before the retail development will become viable.



Parktown Quarters, Parktown North Johannesburg: This centre was recently revamped and re-tenanted, offering an attractive tenant mix.



SuperSpar in Secunda, attracting shoppers form much wider because of a very good offering.

Examples:

- Parkmore Centre, Sandton
- Blaauwberg Centre, Cape Town
- The Avenues, Port Elizabeth
- Maytime Centre, Durban
- Wilro Corner, Roodepoort
- Fountains Centre, Randburg
- Meyersdal Square, Alberton
- Bromhof Village, Randburg
- Helderberg Village, Somerset West

3.2 Neighbourhood Centres

Role and function

These centres fulfil a **convenience and express convenience role**. The **three** most critical aspects with regard to these centres are the following:

- a reputable, good, attractive, and well known **food anchor**;
- the provision of sufficient **parking** and
- a very good micro location offering **easy access** for residents from the surrounding suburbs.

Description

This retail facility aims at the suburban level with **a larger impact** than the local convenience centre. These centres usually service the surrounding neighbourhood within a 2km range but can also play an intercepting role for passing traffic to other suburbs.

Size (GLA)

Size of Centre (m^2) (GLA)	Number of stores	Size of land (ha)
5 000-12 000	25-50	1.5-3.6

Location criteria

These centres are usually located on **major collector roads** in suburbs or township areas offering high visibility and accessibility to passing traffic intended for the suburb(s) in the immediate vicinity.

Average radius of primary trade area	Median travel time to the centre	Access requirements
1.5-2km	4-9min	Major collector road

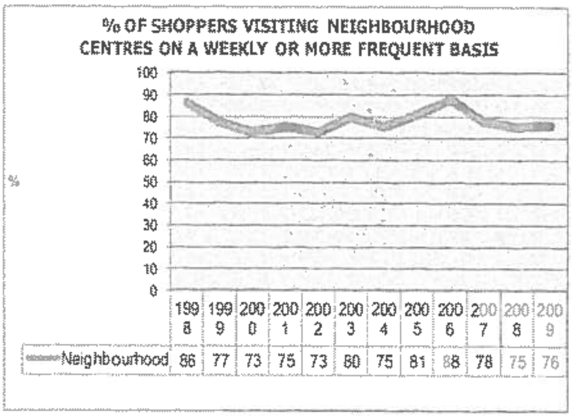
Market characteristics and threshold values

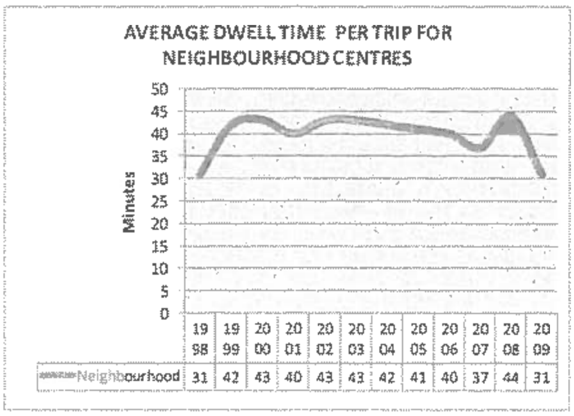
For a successful neighbourhood centre, the following threshold values and market support are required:

LSM groups	Number of households			Population (25% market share)	Retail space in m^2per capita
	35%[4]	25%	15%		
LSM 1-5	20 258	28 333	47 246	127 499	0.1
LSM 6-9	9 004	12 593	20 998	50 372	0.2
LSM 10-10+	3 683	5 152	8 590	18 032	0.54

[4] Particular centres cannot attract 100% of the disposable income available in an area. Different scenarios ranging from 15% to 35% were included. All these must be seen as broad parameters that will vary from area to area. Example: The required minimum households for the development of a neighbourhood centre in a higher LSM neighbourhood the minimum households required should the centre attract 25% of all the spend on retail products are ± 5000 households.

Benchmark indicators





In most cases the neighbourhood centres are visited by 75%-85% of their customers on a weekly or more frequent basis and the average dwell time is ±30-35 minutes.

Tenant Mix

- **Anchor Tenant**: Usually larger than 1 400m² with the typical tenants being Spar, Pick n Pay, Checkers, Shoprite, Woolworths Food and OK Food. The latest trend is where **two food** anchor stores, for example Pick n Pay and Woolworths Food, are located in the same centre. This is also applicable on a combination with other food anchors like Spar and Checkers. The emphasis in this regard is to complement the offering of the larger supermarkets, and to provide a variety of food and grocery products. The preferred supermarket is in most cases a reflection of the socio-economic profile of the residents in the surrounding suburbs. In many cases the food offering is also complimented with stores like Fruit and Veg City and Everfresh.

- The other tenant types to be found in these centres are **convenience retailers** including a pharmacy (stores like Dis-Chem), butchery, video store, hairdresser, dry cleaner, liquor store and a hardware store. There are also other tenants in these centres which could include specialised stores, small clothing stores, restaurants and takeaways, as well as services like medical and banking facilities.

- Part of the tenant mix also includes **independent stores** mainly run by local residents. These shops bring variety in as part of the tenant mix. A good example is home industries.

Trends and changes

In some cases smaller clothing chain stores have become part of the retail tenant mix. With the changes in shopping behaviour additional food offering also occurs, but should be kept to a minimum. More fast-food outlets, coffee shops, as well as branded restaurants open in these types of centres.

Households support on average four different grocery stores per month, which is a substantial increase compared to **two** stores in 1993. The result of this is that you often find a number of convenience centres in close proximity to each other.

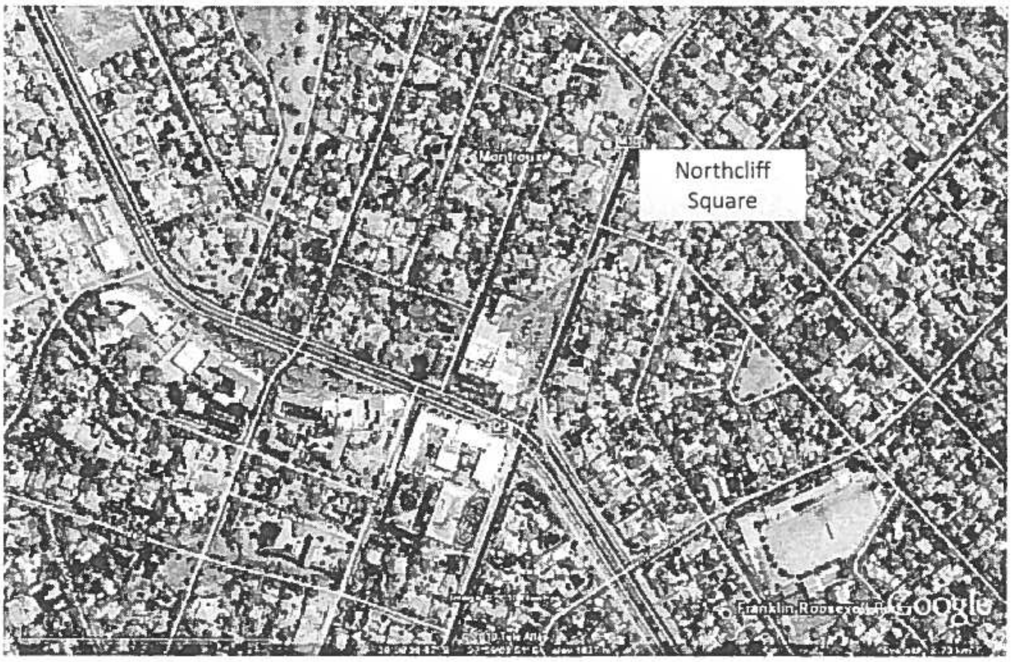
The neighbourhood shopping centre is the one type where **saturation** might be applicable mainly because of the variety of different supermarket groups competing in the same area.

Actions to guide retail development

Neighbourhood centre development will mainly happen as part of the following:

- Infill areas in suburban and township areas;
- New growth areas where the threshold value is sufficient to warrant immediate development and
- Greenfields developments where 'follow the roofs' strategies should be followed and developed once a substantial proportion of the threshold value in terms of occupied homes have been reached.

Location of Northcliff Square, Northcliff Johannesburg



Woodbridge Square, Kempton Park

Secunda Plaza

Examples:

- MeerenSee Mall, Richards Bay
- De Marionette Centre, Meyersdal Alberton
- Northcliff Square, Johannesburg
- Capricorn Square, Muizenberg Cape Town
- Metropolitan Centre, Thaba Nchu
- Ithala Centre, New Germany Durban

3.3 Community Centres

Role and function

The role of a community centre is to satisfy the need for shopping facilities between that of a neighbourhood and a regional centre. The community centre has a **larger catchment area** and services more households. The definition of a community centre is often **not precise** and overlapping/duplication occur with neighbourhood centres and small regional/community centres.

The role fulfilled by these centres in township areas is very important, mainly because of transport/taxi orientated facilities, the lack of private transport and to offer a large facility mainly within walking distance of a large portion of the community. In many cases, shoppers are prepared to walk to these large centres and to save on transport costs.

Description

Community centres are offering a wider tenant mix than a neighbourhood centre. These centres however are not large enough to offer a full range of comparative tenants. These centres are sometimes difficult to develop because of the nature of being in between small and large centres.

Size (GLA)

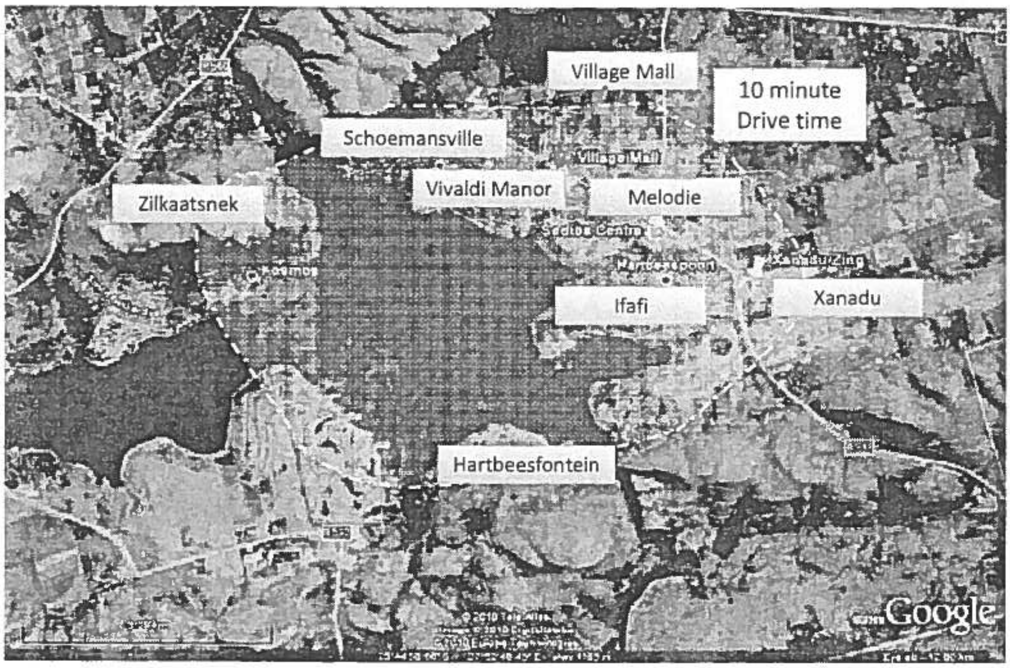
Size of centre (m^2) (GLA)	Number of stores	Size of land (ha)
12 000-25 000	50-100	3.6-7.5

Location criteria

These centres are located on main arterial roads which are accessible from a number of suburbs located in the area. The site must offer high visibility to passing traffic and accessibility to the residents in this area.

Average radius of primary trade area	Median travel time to the centre	Access requirements
2.5-3km	6-14min	Major arterial road

Photo 4.2: 10 Minute Drive Time to Village Mall 2010



Market characteristics and threshold values

For a successful community centre the following threshold values and market support are required:

LSM groups	Number of households			Population (25% market share)	Retail space in m²per capita
	35%	25%	15%		
LSM 1-5	44 092	61 667	102 829	277 502	0.1
LSM 6-9	19 596	27 407	45 702	109 628	0.2
LSM 10-10+	8 017	11 212	18 696	39 242	0.54