

Malls grow as purses shrink

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Within weeks, one of the biggest shopping centres on the continent, the Mall of Africa, is set to open in Midrand - the newest in a blitz of fancy malls vying for the wallets of consumers.



The question, however, is whether SA can support another mall. Many consumers are cash strapped, and already SA has the sixth-highest number of shopping centres in the world — almost 2,000 — and floor space covering 23mm².

Still, some believe the market can take it.

Dirk Prinsloo of Urban Studies, a market research company specialising in shopping centre research, told the *Financial Mail* that though consumers are under pressure, “the [shopping centre] cake is getting bigger, with growth taking place in the emerging market. We have about 5m additional households and tremendous [potential for expansion] in the retail space.”

One of the problems with newer centres, like the Mall of Africa, is that they are diverting consumers from existing ones. In smaller towns, where there hasn't been a mall before, a brand-new shopping centre often draws retail spending away from high street shops. And Prinsloo says the market is overtraded in smaller convenience centres, where “you'll find three or four grocery stores or supermarkets on as many corners”.

Regional or super regional malls keep on expanding because that's where the big overseas retailers such as Cotton On, Zara and H&M as well as several more popular local brands are keen to set up shop.

A large part of the mall boom is due also to the trend of people moving to cities to get jobs — altering the complexion of society from a far more rural-based existence decades ago.

Says Prinsloo: "Urbanisation now sits at 64%, and it will grow to at least 68% by 2030." He adds: "A lot of centres have moved very close to consumers to serve their needs. The fact that we are number six in the world confirms that the cake is getting bigger and that the black market has become the big spenders."

However, Harri Kemp, an economist at the Bureau for Economic Research, says: "We don't think it will [continue to] be so good given [the situation in] SA and the general economic climate. Indications are that conditions are tough in retail."

The picture looks different for big retailers than for smaller ones.

"Those retailers that have one or two stores and cater for low-income consumers are not doing very well, and the smaller guys are coming under increasing pressure. Low-and middle-income consumers spend a large proportion of their budget on food and electricity.

"With rising prices for these goods, these consumers will have less money to spend on other products," Kemp says.

Consumer Goods Council CEO Gwarega Mangozhe says the retailers are trying to mitigate the impact of high inflation, but it's a tough ask.

"The aim remains to serve customers while retaining and growing market share," he says.

The Mall of Africa is the largest shopping centre built in a single phase in SA. So what are its prospects?

"There is some potential still in the high-income group, and retailers catering for high-income consumers will probably do all right," says Kemp. "But if things worsen, even the high-income guys will have a bit less money to spend."

That's a nasty scenario, and the consequences would be serious.

For one thing, according to an economic impact study commissioned by the Consumer Goods Council, no less than 23.7% of SA's job market is in the retail sector — from the shop assistants to the packers and the truck drivers who make deliveries to the shops. That represents 2.9m jobs — crucial posts in a country where unemployment represents a bubbling crisis.

No fewer than 600,000 people work in shopping centres.

The following are examples:

Whitey Basson's Shoprite Group employs 136,076 people, of whom 116,219 work in SA.

Woolworths employs 29,033 workers in SA. Edcon employs over 39,000 people, including 29,000 in SA.

Pick n Pay has 48,700 employees at owned stores, and 23,000 employees at franchises. It has pledged to create 5,000 jobs a year until 2020.

David North, Pick n Pay's group executive of strategy, is positive about the future, despite the negative indicators.

He believes his company will continue hiring more people.

“We’re creating jobs because we’re opening more stores, serving more customers, and the overall spend on food and grocery products is increasing.

“Retail will continue to grow and employ more people in this country.”

Government will be hoping North is right, and the retail sector can absorb more of the country’s unemployed people — because elsewhere, the news is grim.

According to Statistics SA’s Quarterly Employment Statistics survey for the third quarter of 2015, total formal employment did not register any year-on-year growth. The “wholesale, retail and motor trade, hotels and restaurants” sector, on the other hand, grew by 1.2%.

With that sector stripped out, formal employment actually fell by 0.3% in the third quarter.

For this reason alone, a number of people will be holding thumbs that when the Mall of Africa throws open its doors, there’ll be a stampede into one of the continent’s biggest shopping centres.

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