The shopping centre has become a prominent feature and integral part of the modern urban landscape, occurring in widely divergent cultures and economies. South Africa has the sixth highest number of shopping centres in the world. Over 2 000 centres offer 23 million m² of shopping space.

The characteristics of shopping centres as complex systems, and the divergent and important role they fulfill in modern society, are being investigated in a wide range of research topics in the Department of Construction Economics at the University of Pretoria.

In association with the South African Council of Shopping Centres, the Department has been actively involved in the training of shopping centre managers since 1993. More than 1 200 participants have benefited from courses that range from intensive week-long training for budding managers to a year-long advanced course in strategic shopping centre leadership. In addition, the Department played a leading role in 2015 in the training of lawyers preparing for participation in the Commercial Lease Arbitration Tribunal, which is a first in South Africa.

Among other things, shopping centres play a stimulating role in the development of previously underdeveloped areas. Non-metropolitan areas, as well as other African countries, have become target markets for big retailers in recent years. Retail development in tribal authority areas, as well as retail cannibalisation in Maseru, consumer behaviour in Soweto, the role of entertainment in shopping centres and the development of a strategic framework for the expansion of retailers in Africa have been researched.

Cannibalisation refers to a situation where a retailer opens a new store location close to an existing store. When this happens, the existing store loses customers to the new store. Another study established a positive relationship between entertainment, the retail image and the value of the mall. Trends in gender and race transformation in the shopping centre management industry have been presented at international conferences, as have surveys of the skills required of shopping centre managers.

Retail development in South Africa is strongly influenced by what is happening worldwide. Current worldwide economic conditions are also influencing 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 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.

Like many other emerging markets, South Africa is developing an increasingly large band of middle-class consumers. For retail and consumer goods companies in particular, these consumers are highly aspirational and have many opportunities to spend their disposable incomes, as their local towns and cities are well supplied with modern malls. These cater to a local consumer culture that places a premium on high-end consumer goods, from fashion labels through to luxury car models, with a remarkable degree of sophistication and spending power among many of the country’s consumer class.

On the downside, the retail market is affected by a volatile currency, unstable inflation, steep price increases in fuel and especially electricity, unreliable provision of services in many smaller towns, sporadic labour unrest, high unemployment and extreme income inequality.

The South African retail industry is the largest in the sub-Saharan region and is the 20th largest retail market in the world. In 2011, total
The South African retail industry is the largest in the sub-Saharan region and the 20th largest retail market in the world.

Retail sales in South Africa surpassed a trillion rand for the first time in history. By 2016, this is expected to increase to R1.46 trillion. Five South African companies – Pick n Pay, Spar, Massmart and Metcash – constitute 80% of the retail sales.

In 2012, the retail, wholesale, catering and accommodation sector contributed 14.4% to overall gross domestic product (GDP) and reflected a growth of 3.5% over the previous year. The retail and wholesale sectors specifically employ an estimated 2 825 000 people, which is 22% of the national labour force. This positions retail as an important sector in the overall South African economy.

Future growth will be largely driven by the number of black consumers rising into middle- and upper-income groups, with a consequent expansion in their disposable income. By 2016, some 11 million households are expected to have an annual income above R89 500. This spending power is further bolstered by widely available consumer credit, both from retail banks and retail chains.

Local retailers focus closely on how they position their brands against specific income bands. These are typically defined locally by the living standards measure (LSM) market segmentation model. The LSM divides the population into 10 LSM groups (with 10 being the highest and 1 being the lowest) according to their living standards using criteria such as degree of urbanisation and ownership of cars and other major appliances.

For those on the upper end of the scale, there is a clear aspirational drive to increase spending, especially for status purchases such as of high-end motor vehicles and premium alcohols. There is continued migration from lower LSM scores through to higher ones, with immediate knock-on benefits for retailers.

For the large, lower-end pool of consumers, two key government initiatives – large-scale infrastructure investments across the country and wide-ranging social grants – are helping to prop up demand. Both of these initiatives are significant.

Tenant mix is an important component of the success of a shopping centre. Exclusivity clause practices by South Africa’s major food retail chain groups, as well as wholesale traders, have led to concerns and Commission of Inquiry investigations about the potential exclusion of new market entrants, reduced competition between supermarkets and broader competitors, and the detrimental effects on consumers. This contentious practice is currently being investigated as one component of a PhD study on space demand models for real estate retail markets.

More technical aspects investigated in recent years include the use of computerised maintenance management systems in shopping centres and sustainable facilities management practices. Sustainable and “green” features of shopping centres are receiving increasing attention. The retail sector of the local economy represents almost 14% of South Africa’s total GDP and almost a million people are employed in a very large number of stores throughout the country.
Chair in Shopping Centre Studies founded at UP

A partnership between the South African Council of Shopping Centres (SACSC) and the Department of Construction Economics in the Faculty of Engineering, Built Environment and Information Technology at the University of Pretoria has resulted in the founding of a Chair in Shopping Centre Studies.

This is the first Chair of its kind in South Africa, and will be headed by Prof Chris Cloete. The partnership is a ground-breaking and innovative display of leadership by the SACSC, and is an expression of its commitment to empowerment, equity and transformation opportunities.

The Chair will provide students an opportunity to produce pioneering research. A specialisation in shopping centres will also be introduced in the BSc(Hons) and MSc programmes in Real Estate from 2017. It is envisaged that this will help alleviate the shortage of professional shopping centre managers in South Africa. Candidates are encouraged to apply for bursaries to support them in doing these programmes.

Prof Cloete has been actively involved in training shopping centre managers nationally, in association with the SACSC, since 1993. More than 1 200 participants have benefited from two collaborative courses, the Certificate in Shopping Centre Management and the Advanced Certificate in Shopping Centre Leadership. In 2015, Prof Cloete also played a leading role in training lawyers preparing to participate in the recently established Commercial Lease Arbitration Tribunal.

The Department of Construction Economics is committed to making this partnership a success and is developing a Centre of Excellence with the SACSC so that together they may make a distinct contribution to the country.