CHAPTER FOURTEEN: SWOT ANALYSIS AND IMPACT ASSESSMENT

14.1 INTRODUCTION

This chapter integrates the findings of the previous chapters into a SWOT analysis, demonstrating the impact that the development of formal retail centres in second economy areas have had on the local communities, local business environments and the retail industry in these second economy areas in general.

This analysis assists with the identification of key intervention types that will be required in order to streamline the industry in these areas – to minimise the negative impacts and strengthen the positive impacts (to be dealt with in more depth in the recommendations chapter).

14.2 SWOT ANALYSIS – CENTRE IMPACT ON LOCAL COMMUNITY

Figure 14.1 indicates the strengths, weaknesses, opportunities and threats pertaining to formal retail centre development within second economy communities.

Figure 14.1: SWOT Analysis – Centre Impact on Local Community

Source: Demacon, 2010

14.3 SWOT ANALYSIS – CENTRE IMPACT ON LOCAL BUSINESS ENVIRONMENT

Figure 14.2 indicates the strengths, weaknesses, opportunities and threats pertaining to the impact of formal retail centre development on the local business environment in second economy areas.

Figure 14.2: SWOT Analysis – Centre Impact on Local Business Environment

Source: Demacon, 2010

14.4 SWOT ANALYSIS – INDUSTRY IMPACT ON SECOND ECONOMY AREAS

Figure 14.3 indicates the strengths, weaknesses, opportunities and threats pertaining to the formal retail industry impact within second economy areas.

Figure 14.3: SWOT Analysis – Industry Impact on Second Economy Areas

Strength

Unexploited areas

Stability of second economy consumer market

Expansion opportunities

Smaller centres can fulfil regional function

Moderate to higher yields

Township rentals on par with urban centres

Expansion of retail hierarchy in townships

High representation and commitment of nationals

Easy access to finance if title deed to land

Provision of public transport facilities and trade facilities

Weaknesses

Access to land and title deed

Equity for tribal land

BEE requirements

Low accommodation of line shops and local shops

Require critical mass

Banks difficult to get into centres

Entertainment facilities weakest performers

Cannibalisation of the market

Limited expansion potential

Current SACSC hierarchy not applicable

Opportunities

Reduced interest rates

Stabilising inflation

Increased consumer confidence

Increased Social Grants

Local Business Support – contributed to business formalisation

Development of second economy retail hierarchy

Threats

Lack of local government support

Tedious application processes

Wrong location

Lack of Local buy-in

Tenant mix must be 'spot on'

Source: Demacon, 2010

14.5 SYNTHESIS

This chapter highlighted the strengths, opportunities, weaknesses and threats pertaining to formal retail centre development in second economy areas from three perspectives – local community impact, local business impact and overall industry impact. This analysis highlights the key aspects to be addressed to streamline the industry within these second economy areas.

Overall Second Economy Shopping Centre Impact

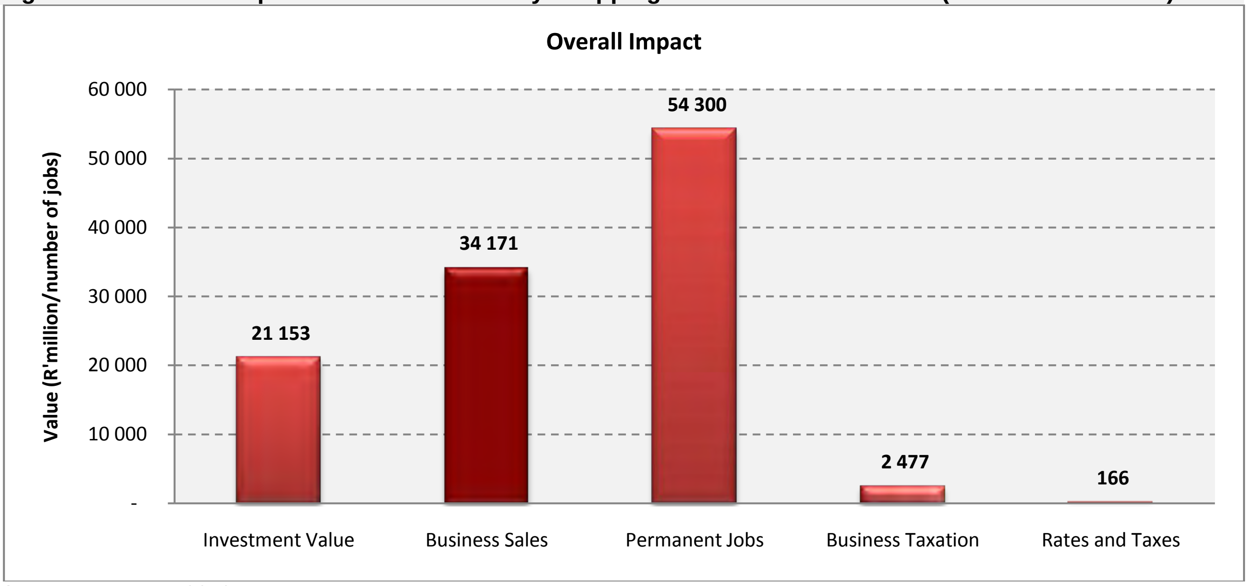
Table 14.1: Overall Impact of Second Economy Shopping Centres in South Africa

	Investment Value (R'million)	Business Sales (R'million)	Permanent Jobs	Business Taxation (R'million)	Rates and Taxes (R'million)
1980s	2 371	3 831	6 100	278	19
1990s	7 328	11 838	18 800	858	57
2000s	11 454	18 503	29 400	1 341	90
Total	**21 153**	**34 171**	**54 300**	**2 477**	**166**

- ✓ *Source: Demacon, 2010*
- ✓ *Note: This impact reflects figures for total retail floor space developed between 1980 and 2009.*
- ✓ *Construction cost @ R13 000/m^2*
- ✓ *Annual Trading Density @ R21 000/m^2*
- ✓ *Employment Factor @ 1 employee/30m^2 retail GLA*
- ✓ *Turnover @ 25% of Business Sales*
- ✓ *Business Tax @ 29% of Business Turnover*
- ✓ *Rates and Taxes @ R8.50 * 12 * total floor space.*

Overall, it is evident that second economy shopping centre development has contributed R34.2 billion worth of business sales, R2.5 billion worth of business tax and R166 million worth of rates and taxes and approximately 54 300 permanent jobs to the national economy since the 1980s. Emphasis must be placed on the fact that business tax and rates and tax income is not obtainable from informal businesses.

Figure 14.1: Overall Impact of Second Economy Shopping Centres in South Africa (Net Present Values)



Source: Demacon, 2010

The subsequent chapter integrates all the findings into a set of development recommendations that will assist in maximising the benefits and minimising the negative impacts of retail centre development in second economy areas.