The Influence of Shopping Complexes/Malls on the South African Grocery SMEs in the Periphery

Kenneth Mathu
University of Pretoria

The traditional grocery small and medium enterprises (SMEs) in South Africa presently contend with the emerging trendy shopping complexes/malls that has gripped country recently. The leading retailers of fast-moving consumers goods (FMCGs) at the malls attracted customers due to discounted prices offered. This study aimed to establish the influence of these shopping complexes on grocery SMEs in the periphery in densely populated cities such as Johannesburg. “Central Place Theory” underpinned the study and qualitative research methodology pursued. It emerged that the grocery SMEs at the mall periphery benefitted from regularly purchased discounted products for resale.

INTRODUCTION

The advent of shopping complexes or malls has transformed shopping experience in South Africa and the developed countries where they originated. In South Africa, shopping has been linked to social integration since ancient civilization (Kyriazis & Cloate, 2018). In the early part of 20th century, towns in South Africa developed shopping facilities along busy streets which were referred as “high street shopping”, where people would window-shop on week-ends when shops were closed (Kyriazis & Cloate, 2018). Since 2010, an average of 32 new shopping complexes/malls were opened in the country every year. However, 34 shopping complexes were planned for 2018 that made the national total floor area 26 square kilometers (De Wet, 2018). In this study the terms shopping complexes/malls and shopping centers/malls are used interchangeably.

According to the South African Council of Shopping Centers (SACSC), 16 shopping centers/malls are planned for development in 2019 and more will follow in future (SACSC, 2017). South Africa is ranked sixth among countries in the world with the most shopping complexes after the United States of America, Japan, Canada, United Kingdom and China (SACSC, 2017). Over 75% of the shopping complexes in South Africa are in the provinces of Gauteng, Western Cape and Kwa Zulu-Natal (SACSC, 2017).

According to Ligthelm (2010), shopping at the malls has emerged as the most preferred shopping mode in the world in the current millennium. The Oxford English dictionary definition express a shopping mall as “a large enclosed shopping area from which traffic is excluded”. These shopping complexes has a wide variety of stores selling a wide range of merchandise/services ranging from grocery, apparels, toys, shoes, financial service, cellphone sales/service among others. The diversity of retailers that operated from shopping complexes pose challenges to the small businesses in the periphery (Ligthelm, 2010)
Globally, (SMEs) are the leading drivers of economic growth, job creation and poverty alleviation in all nations (Gozalez, 2016). They drive the socio-economic well-being of the communities as they strive to alleviate poverty, unemployment, inequality and low economic growth (Stats SA, 2018). The SMEs account for 36% of South African GDP and contributed 65 percent of employment (Smit, 2017).

The United Nations Industrial Development Organization (UNIDO) supported development of SMEs and their qualitative and quantitative policy attributes. The qualitative attribute measure management, personnel, organizational structures, production, sales, finance and research and development (R&D), while quantitative attribute measure the number of employees and turnover (UNIDO, 2017).

According to the South African “National Small Business Amendment Act (No. 29 of 2004)” small businesses are quantitatively classified as micro, very small, small and medium enterprises (SA Government Gazette, 2004). This is further classified as quantitative referring to the sectors of economy that comprised full-time paid employees, annual turnover and total gross assets value of the enterprise, and qualitative criterion that looks at the independent ownership structure comprising of one or a few members and the relative share of the market (Goko, 2017).

This study aimed to establish the influence of the shopping complexes/malls on the South African grocery SMEs in the periphery. The study covered the central region of Johannesburg, Gauteng where managers from FMCGs mega-retailers in six shopping complexes and fourteen grocery SMEs in their periphery were interviewed. The study was underpinned in the “Central Place Theory” (CPT). The CPT theory express how customers are motivated to buy products that are in demand at convenient places nearest to them as provided by mega-retailers at the shopping complexes/malls and the surrounding grocery SMEs.

CENTRAL PLACE THEORY (CPT)

The Central Place Theory (CPT) was developed in 1933 by a German geographer Walter Christaller and it has, in modern times, become a model for the development of shopping centers/malls (Christaller, 1993). The updated version of the theory was expressed by Briney (2018) as “looking at the urban geography on distribution patterns and size of cities and towns around the world and providing framework by which those areas can be studied for historical and locational pattern”.

At inception, Christaller assumed the countryside areas he studied were flat and without barriers that would impede people’s movement across it. He concluded with two assumptions about human behavior that:

1. “Humans will always purchase goods from the closest place that offers them.
2. Whenever the demand for a certain good is high, it will be offered closer to the population and when the demands drop, so too does the availability of the good.” (Briney, 2018).

The theory relates to the current global development of shopping complexes that provide shopping under one roof and their influence on the environment and businesses such as SMEs in their periphery.

THE DEVELOPMENT OF SHOPPING CENTRES/MALLS (SHOPPING COMPLEXES)

The evolution of shopping centers/malls is traced back from the city of Minneapolis in Minnesota, United States of America in 1956, when two rival Department stores agreed to jointly develop a shopping center to reduce construction costs. This was a major turning point for retail business as the two rival businesses realized that by operating together in one center, their business increased (Eppli & Benjamin, 1994). The development of shopping malls globally has become the preferred shopping model by customers/consumers and they are replacing the small owner-managed retail stores with lower prices offered by retailers operating from there Kirkwood (2016).

Eppli and Benjamin (1994) defined a shopping center/mall as “a group of retail and other commercial establishments that are planned, developed, owned and managed as a single property with on-site parking provided”. The facility is also described as “basically a clean, protected place, where several businesses (retail, leisure and entertainment) are gathered in self-contained, covered roof space with single location
parking, designed so that people could shop and spend time in a pleasurable atmosphere” (Berman & Evans, 2010).

Shopping centers/malls are developed at sites that are economically viable to provide security for investors, and the tenants as a way of controlling risk (Goodman & Coiacetto, 2017). A study conducted in Europe by Heffner & Twardzik (2015) described benefits accrued from the shopping complexes/malls as job creation, income generation, and providing under one roof a variety of shops and products, discount prices, convenient shopping hours and leisure time. However, in many European countries, traditional street retailing continues to coexist with the shopping malls (Goodman & Coiacetto, 2017).

The shopping complexes in South Africa house a wide variety of retail stores selling a wide variety of products/services, financial institutions, leisure and restaurants among others. In cities such as Johannesburg, the leading tenants comprises of grocery stores such as Pick n’ Pay, Checkers, Woolworths, Massmart and Spar; apparel stores such as Edgars, Ackermans, Mr. Price; and stationery stores such as CNA and Exclusive Books. The other tenants comprise the major banks: Standard Bank, First National Bank, ABSA and Nedbank and Capitec; and general traders in jewelry and cellphone companies, among others (Sagaci Research, 2018). In smaller rural towns the anchor tenants comprise assortment of stores targeting lower income groups such as the social grants recipients. These stores are Pep, Mr. Price, Capitec Bank among others (Sagaci Research, 2017).

Presently, legislations in South Africa support the development of shopping centres/malls as those from the developed nations. The National Credit Act (Act 34 of 2005) promotes fair and nondiscriminatory marketplace for access to consumer credit and prohibits unfair credit-marketing practices (BizConnect, 2018). The South African Local Government by-laws Act of 1993 Section 156 (1) permits development of shopping centers/malls (Memeza & Rauch, 2000). The future of the retail industry looks bright especially with the steady growth of online shopping with the increased availability of smartphones and cheaper data which is paving way for the fourth industrial revolution (4ir). The 4ir is manifested by artificial intelligence, internet of things (availability of internet connectivity in most functions) and smart cities. The 4ir is becoming more relevant with the growth in consumer buying power and interest in “more personalized hyper-convenient retail experience, with tailor-made products” (Euromonitor, 2018).

SMALL AND MEDIUM ENTERPRISES (SMEs)

The small and medium enterprises (SMEs) require skills, finance and business training to make them competitive and successful enterprises (Mubarak & Aruna, 2013). It is estimated that 90 percent of all formal businesses in South Africa are small, medium and micro enterprises (SMMEs) (Smit, 2017). Research conducted on small businesses in South Africa indicated that government inefficiencies, institutional bureaucracy and red tape affected the SMEs development (Koens & Thomas, 2015). According to Ligthelm (2010), SMEs development continue to be hampered by the emergence of shopping centers/mall.

SMEs do not enjoy the benefits of large enterprises such as extended resources in human capital, capital and marketing. Based on their size SMEs has the capacity to adjust to market conditions with ease and can withstand unpleasant economic conditions than larger businesses (Kongolo, 2010:2290). However, SMEs find it difficult to compete with large organisation due to increasing global pressure in the market environment that is fuelled by globalisation, trade barriers, legislation, technological, innovation, population growth and climatic change (Mubarak & Aruna, 2013:156-162). These factors required SME managers to be pro-active in identifying the risks associated with their enterprises to be able to maintain operations and avoid losing customers. The ability to identify risk make them better equipped to face the changing market environment, thereby coming up with new ways that help to yield positive returns (Banham 2004:65). The South African SMEs that co-exist with the shopping centers/malls have adapted to strategies such as bulk buying when products are on special offers at the mega-retailers at the malls and resell afterwards at more competitive prices (Haffner & Twardzik, 2015).
The SMEs covered in the study were vibrant general grocery stores that are owner-managed and employing less than five people. Lighthelm (2010) stated that many of the spaza shops (South African model of micro stores) and SMEs at the periphery of the malls ceased existence with the emergence of the shopping complexes as they couldn’t compete with the prices offered by the mega-retailers at the malls. Most of the surviving SMEs are believed to have changed strategy by providing products/services that were not offered by the mega-retailers at the malls. They also took advantage of bulk buying from the mega-retailers at the malls for the products on “special offer” and sold them afterwards at reduced prices (Haffner & Twardzik, 2015). In using this strategy, the SMEs avoid direct competition with the retailers at malls and has continued to benefit from the high volume of customers that visited the malls as many of them become their customers.

RESEARCH PROBLEM

The emergence of shopping complexes/mall in South Africa has gained momentum over the last thirty years or so. Their development has attracted mega-retailers of FMCGs that influence the grocery SMEs in the periphery. Hence, the need to understand their co-existence and the type of influence thereof.

EMPIRICAL OBJECTIVES

The empirical objective of the study was to establish how the FMCGs mega-retailers at the shopping complexes/malls influenced the South African grocery SMEs in the periphery.

RESEARCH METHODOLOGY AND DESIGN

The study pursued a qualitative research methodology to investigate how the FMCGs mega-retailers at the shopping complexes/malls influenced the South African grocery SMEs in the periphery. The central region in the city of Johannesburg was selected as the sample to represent the densely populated cities in the country. As the three provinces namely Gauteng, Western Cape and Kwa Zulu-Natal accounted for 75% of the South African shopping complexes/malls (SACSC, 2017), any one of them made an appropriate sample, hence the choice of Gauteng.

The shopping complexes and general grocery SMEs in the central area of Johannesburg were selected for the study. There were 20 selected participants that comprised six managers from FMCGs mega-retailers at the shopping complexes/malls and fourteen owner-managers of the general grocery SMEs. Hence, a non-probability sampling was used as posited in (Saunders, Lewis & Thornhill, 2016: 295).

The participants from the mega-retailers were approached through their personal assistants who acted as gate-keepers and the owner managers of the grocery SMEs were approached directly to arrange for interview. In both approaches, the value proposition of the study was provided to get permission for interview. The value proposition was “to establish the influence of the FMCGs mega-retailers at the shopping complexes/malls on the South African grocery SMEs in the periphery”. Saunders et al, (2016: 415) recommended briefing of participants before the interview. After receiving permission for the interview, arrangements were made with the respective managers and confirmed the interview date, interview duration of 45 minutes, use of a digital data voice recorder and use of a field notebook. An undertaking of confidentiality, nondisclosure and anonymity was explained and provided in writing to the participants, as ethics in research is paramount Kumar (2005).

Subsequently, the recorded interviews were transcribed, translated, coded and thematically interpreted using content analysis. The procedure of content analysis involves “sequential process of sampling, devising analytic categories, defining the unit of analysis, coding and undertaking qualitative analysis” Saunders et al, (2016:610). The study was triangulated by comparing the interview data, field notebook and reviewed literature.
RESULTS

The outcome of the study emerged from identifying and analysing the qualitative data that emanated from the themes. Seven major themes and several sub-themes emerged as indicated in the table below.

**TABLE 1**

MAJOR THEMES AND SUB-THEMES THAT EMERGED FROM THE STUDY

<table>
<thead>
<tr>
<th>Major Themes</th>
<th>Sub-Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition (mega-retailers/SMEs in the periphery</td>
<td>retailers versus grocery SMEs, Competition among grocery SMEs, retailers’ competition</td>
</tr>
<tr>
<td>Economic factors (South Africa)</td>
<td>Slow national economic growth, minimal government funding, volatile prices/ profitability, high fuel price</td>
</tr>
<tr>
<td>Organisational issues (internal and external)</td>
<td>SMEs survival, opportunities/challenges</td>
</tr>
<tr>
<td>Social factors</td>
<td>Crime/security, job creation/exposure</td>
</tr>
<tr>
<td>Survival strategy</td>
<td>Bulk buying/promotion, changing business line</td>
</tr>
<tr>
<td>Shopping experience</td>
<td>Leisure/socialising at malls, convenience product/service availability/time</td>
</tr>
<tr>
<td>Legislations</td>
<td>SMEs legislations, Municipality by-laws on shopping centres/malls development</td>
</tr>
</tbody>
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Source: Own Research

The themes that emanated from the interview data expressed the opportunities and challenges experienced by the SMEs operating in the periphery of the shopping centers/malls in South Africa. The major themes comprised: competition between mega-retailers at the malls and grocery SMEs in the periphery, economic factors (national), organizational challenges, social factors, survival strategy, shopping experience and legislations. The sub-themes that emerged provided clarity to the major themes and highlighted the areas of competition, economy, technology, legislations and shopping experience among others. The opportunities experienced by the SMEs ranged from bulk buying of products on special offer and the high volume of customers attracted by discounted prices from the retailers at the shopping complexes (Haffiner & Twardzik, 2015). The participating SMEs expressed the challenges of losing business to the retailers that emerged with the malls adapting to co-exist with their new competitors. The SMEs that failed to adapt with the retailers that emerged with the shopping complexes closed business (Lighthelm, 2010). The emergence of shopping centers/malls influenced SMEs and customers in searching for discounted prices of products/services as expounded by the major themes and the participants.

The themes also reflected on the objective of the study which was achieved as elaborated in the results below:

**EMPIRICAL OBJECTIVE**

The Empirical Objective of the Study was “to Establish the Influence of the Shopping Complexes/Malls on the South African Grocery SMEs in in their Periphery”

The shopping complexes/malls has transformed shopping activities in South Africa and the world by ushering in discounted products/services and offering other benefits under one roof. The grocery SMEs in the periphery of the shopping complexes has their business tied to the activities of the mega-retailers at the mall as they buy bulk products from them when they are on special offers and resell them afterwards. The SMEs has also learnt to co-exist with the malls by offering products which are not offered by the retailers at the mall to avoid direct competition.
In expressing the purchasing behavior of people, the CPT theory stated that people would always purchase products/services that are in demand from the closest place near them. The locations of the shopping complexes are near residential areas and the retailers operating from there offer discounted products that attract high volume of customers thus, creating demand which also benefits the SMEs in their periphery.

The following major themes were supported by participants in elaborating the influence of the shopping centers/malls on the SMEs in their periphery.

**Competition: SMEs and Mega-Retailers at the Shopping Centers/Malls**

The mega-retailers at the shopping complexes offered several fast-moving consumer products at discounted prices that created competition to the grocery SMEs in the periphery as they offered similar products at normal prices. The SMEs took advantage of the special offer prices by buying those products in bulk to sell afterwards after the offer period at the mall expire. They also stock other fast-moving consumer product lines, but they do not receive as many customers as their competitors at the malls. The participants from the retail outlets provided detailed descriptions of the type of customers that frequent the shopping complexes/malls and their main attractions including shopping as expressed by participant 5:

“People flock the mall to buy products on special offers, others meet at coffee shops for business, while there are those who take their children there over week-ends and during public holidays to walk around, keep the children busy with games as they shopped, or watch movies in immaculate cinema halls. The malls attract people from all age groups and most of them converge there at the end of the month to shop for their monthly groceries from the hyper-markets stores such as Checkers, Pick n’ Pay, Woolworths and Game. The shopping centers/malls have become convenient meeting venues as they offer convenient facilities such as fast food outlets, coffee shops, restaurants and cinema theaters among others. In the small rural towns, the malls have stores and financial service facilities that cater for low-income group such as pensioners and recipients of social grants.”

**Economic Factors**

The participants from both sectors of business the retailers and the grocery SMEs lamented over the general economic issues in the country as there has been slow economic growth in the last decade. They talked about the global financial crisis of 2008 and how it slowed the local business and economy. They expressed loss of business in the last two years due to high oil prices that has affected the buying power of the consumers. They blamed the political confusion of the period for having slowed the economic recovery up to the time of this study when the country was still in recession. The SMEs blamed the government for lack of enough support in funding and introduction of more favorable legislations in support of their survival. They were particularly critical of the fact that the government has also failed to provide policy guidelines on the co-existence of general goods including grocery SMEs with the emerging shopping malls. Presently, the development of the shopping complexes is supported by the municipal legislations and they just emerge and the SMEs in the periphery adapt to co-exist or perish.

Participant 3 from one of the SMEs commented on the economic factor as follows:

“The last ten years has been hell for this country. The global economic meltdown of 2008 that also ruined our businesses. The political leadership of the country that showed least interest to the public as witnessed by continuous service delivery riots from every corner of the country. The government did very little to support development of small businesses as we saw malls emerge and nearly all small businesses in the surrounding disappeared. At least those businesses could have been supported to establish alternative ventures. The
malls just appeared which is good for the consumers, but they affect the small businesses that cannot compete”.

Survival Strategy/Organizational Issues

The grocery SMEs had to consider seriously how to co-exist with mega-retailers operating from the shopping complexes. One way of survival was becoming customers of the retailers by taking advantage in bulk buying of the FMCGs that were offered at discounted prices and selling them afterwards. As most customers were attracted shopping at the trendy malls, SMEs had to carefully pick up assortment of products that didn’t have much difference in prices from their competitors to cater for the customers who remained loyal, selling during times when the malls were closed such as before their opening and after their closing time. Thus, playing the role of convenient stores due to the long hours they remained open. Indeed, the SMEs survival depended on their organizational skills to maintain their business profitably. The participant 9 from one of the grocery SMEs stated:

“We frequently visit the shopping centers that are not far from here looking for special offers on general goods that we stock such as groceries, detergents and cleaning materials and buy quantities to last a month or so. There is also a Boxers’ wholesale store nearby owned by Checkers retail chain stores where we buy most of our supplies at very low prices. We also benefit from the customers flow to the mall as many of them pass through our store. We are lucky in being able to coexist with the mall because some stores had to close down due to competition soon after the mall opened”.

The participant 20 also from one of the SMEs remarked about their ability to survive as follows:

“The shoppers presently appear to be more attracted by the beautiful shopping malls that are emerging at every populous shopping centers. Small businesses that cannot afford to rent in the new shopping centers might disappear in future. The interesting thing is we also shop at the malls”.

The Social Factors/Shopping Experience

The influence of the emerging shopping centers/malls was not only to the grocery SMEs, but also to the customers/consumers of both outlets. Customers learnt with time the kind of products and services that were available from each of the outlets. The bulk of the customers/consumers are attracted by the shopping malls as there are numerous benefits comprising of discount prices on several items, financial service facilities such as banks, and socializing facilities such as coffee shops, restaurants and cinemas among others. Most of the grocery SMEs opened earlier and stayed open later than the malls that make them convenient outlets. These factors were expressed by most of the participants as highlighted by participant 15 from one of the retail outlets at the mall:

“The neat environment and product/service promotions at various stores appeal to many shoppers and they keep coming back even when the promotion period is over. The banking facilities provide great convenience to the shoppers for obtaining cash to spend and performing other banking transactions while shopping. The recreation centers such as cinemas, variety of restaurants and coffee shop provides trendy social rendezvous. This shopping experience incentivizes the shoppers and they keep coming back with friends and families”.

Legislations

The development of shopping centers/malls in South Africa is supported by various legislations such as the National Credit Act (Act 34 of 2005) and the Local Government Act 209 of 1993 Section 156 (1)
These legislations affirm the significance of the shopping complexes/malls to the communities. As the grocery SMEs in their periphery serve the same communities, their co-existence is paramount.

**MANAGERIAL IMPLICATIONS**

This study addressed entrepreneurial development and transformation. The cited example of cooperation between two competing Department stores that initiated the establishment of the first shopping center/mall in Minneapolis, Minnesota in United States was a visionary managerial decision. The convenient business environment such as shopping complexes offering customers products/services that were in demand attested to the managerial theory the “Central Place Theory”. The ability to maintain large customer flows through special offers, discounted prices, leisure and banking facilities among others are attributes of good management by the owners of the shopping complexes and the retailers at the shopping complexes. The practice of grocery SMEs buying products on special offer from the retailers at the malls for resale demonstrated managerial skills of the SME owner-managers. The grocery SMEs operating in the periphery of the shopping complexes demonstrated managerial skills in planning and strategy for sustainable co-existence with the mega-retailers at the malls. The shopping complexes transformed the conventional retail business through a central location that provided social amenities such restaurants, cinemas, banks among others that attracted volumes of customers.

**LIMITATION OF THE STUDY**

The study concentrated on the grocery SMEs rather than all the SMEs that are affected by various retailers operating from the shopping complexes/malls. The availability for interviews with the participants was mainly at the week-ends and at odd time in early mornings or late evenings when the outlets were not very busy.

**CONCLUSION**

The study explored the emergence of shopping centers/malls in South Africa and informed by the first shopping complex in Minneapolis, Minnesota, United States of America. The role of grocery SMEs at the periphery of the shopping complexes and their coexistence with the megaretailers at the malls was studied. The underpinning “Central Place Theory” by the German geographer Christaller in 1933 was expressed and qualitative research methodology was used. The definitions of both the shopping malls and the SMEs, their background and the role of South African Council of Shopping Centers were provided. The five classifications of SMEs in South Africa which are survival, micro, very small, small and medium enterprises was stated. The development of the malls in South Africa and how they influence the SMEs stating some opportunities and challenges was expressed. The positive impact (opportunities) and the negative impact (challenges) on SMEs were covered from the literature and the themes that emerged from the research data. The impact on the communities in “shopping experience” emerged from the research data.

Subsequently the research data was transcribed, translated, coded and thematically analyzed using content analysis. The objective set for the study was met as it was established that the mega-retailers at the shopping complexes attracted more customers with discounted prices leaving the SMEs with fewer customers.
RECOMMENDATIONS

The development of shopping complexes/malls has transformed the retail business significantly in the modern times. As the transformation pace will be further enhanced with the ushering in of 4ir, the grocery SMEs would leverage the business they hitherto lose to the FMCGs retailers at the shopping complexes/malls if they embraced technology and seriously embarked on online selling.

REFERENCES


