The global reputation and competitiveness of South African cities

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I - Introduction

During the first decade of the 21st century humanity turned a significant corner. For the first time since the emergence of the species, more than half of the world population now live in cities. While this may seem to be another useless statistic, the positive and negative consequences of large scale urbanisation will require constant interrogation.

This research note focuses on findings from recent studies that provide insight into the profile of South African cities from both a global reputation/awareness, and competitiveness point of view. Research studies focused on include findings from the 2015 City Brand Index, the MasterCard African Cities Growth Index, and related indicators pertaining to competitiveness.

Subsequent sections of this research note will explore:

1. In order to create context, and underline the critical role cities play in terms of the profile of a nation, or Nation Brand, the first section will explore some key factors that position cities as drivers not only of national human, socio-cultural and economic development, but also global development;
2. This is followed by an analysis of key findings of the City Brand Index pertaining to three South Africa cities, being: Cape Town, Johannesburg, and Durban;
3. Section three focuses on findings from the 2015 MasterCard African Cities Growth Index, as well as related competitiveness indicators on the country as a whole;
4. The last section will tease out some implications in the form of reputation/awareness and competitiveness opportunities and challenges faced by South African cities.
II - The Urban Planet

According to data from Statistics South Africa, as well as the World Bank, it is safe to say that South Africa’s population is urbanised at a rate of anywhere between 60 and 64%.

From Brand SA’s Domestic Perceptions Research data it becomes clear that if the South African demographic profile has to be summarised in a few key terms the implication is that South Africa is a Young Urban nation. For example, the 2014 Mid-year population estimate by Stats SA indicate a total population of 54,001,953. If from this data you extract two broad categories of ages 0 - 20, and 20 - 40, the following picture emerges:

- 0 - 20 years = 21,397,325, and
- 20 - 40 years = 17,815,147.

This means that of the total population 39,212,472 are between 0 and 40 years of age.

Interestingly enough, South Africa has a much higher level of urbanisation than, for example, Vietnam (at 33%), India (at 32%), Indonesia (at 53%), China (at 54%), Nigeria (at 47%), and Kenya (at 25%). While the population sizes of these countries differ dramatically, the point is that South Africa’s level of urbanisation has direct implications for planning, development, identity and socio-cultural dynamics.

This being said, according to the McKinsey Global Institute, not only does half the world population live in cities, but the world’s cities account for more than 80% of global GDP.

While more than 50% of the world population live in cities, McKinsey Global Institute indicate that 600 urban centers around the world (with a mere fifth of global population) account for 60% of global GDP output
This means that any analysis of the prospects of the global economy, as well as national level dynamics in a country such as South Africa, has to squarely confront some delicate questions pertaining to urban development. Given the role cities play in social development and the global economy it is clear that the reputation and profile of cities contribute directly to the reputation and profile of the Nation Brand.

To conclude some of the contextual comments, it is notable that projections indicate that by 2030 about 60% of the total global population will live in cities, and by 2050 two-thirds will have made the move to Urban centres.iii

III - The 2015 City Brand Index - Global reputation & awareness indicators

The way a city is perceived can make a critical difference to the success of its business, trade and tourism efforts, as well as its diplomatic and cultural relations with the international community.

Overall Ranking of Johannesburg, Cape Town and Durban

<table>
<thead>
<tr>
<th></th>
<th>Johannesburg</th>
<th>Cape Town</th>
<th>Durban</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 CBI Score</td>
<td>44</td>
<td>42</td>
<td>47</td>
</tr>
<tr>
<td>2015 CBI Score</td>
<td>44</td>
<td>43</td>
<td>48</td>
</tr>
</tbody>
</table>

From a city profile point of view, the following associations with South African cities emerge from the City Brand Index (CBI). All three South African cities are most associated with:

- Natural beauty, followed by
- Cultural diversity.

It is also positive that the People of South Africa’s cities are described most prominently as:

- Hard working,
- Respectful of traditions, and
- To a lesser extent “happy” and “easy-going.”
- People from Cape Town are seen as “energetic”.

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[Image]

South Africa

Inspiring new ways
Ranking 44th again this year, Johannesburg has held the position it earned in the 2013 CBI. On all pillars, Johannesburg has decreased its momentum since the 2013 CBI scores with only slight increases in sub-pillars and categories.

Johannesburg’s strongest asset is its Pre-requisites, whereas its People and Pulse receive the lowest score among the panel countries. Durban has been given the highest score among the three cities for its cleanliness, whereas Cape Town is favoured with high scores for its affordability, open culture, interesting offering for tourists and overall familiarity.

Johannesburg is praised for its educational offerings and its contribution to the world. India offers all three cities their strongest rankings, but Western European countries hold differing views: France stands out for its relatively warm feelings towards Johannesburg, Germany towards Cape Town, and, to some degree, the UK towards Cape Town and Durban.

South Korea and China tends to be more critical of South African cities - with particularly low ratings of Durban. Despite warm opinions towards select South African cities, the UK and Germany are critical of Johannesburg and France of Cape Town and Durban. Perceptions of Johannesburg’s accepting culture, safety, and job potential are improving in Russia, along with Cape Town’s accommodations and Durban’s cleanliness.

It should be acknowledged that most people do not know much about cities from around the world, only if they play a significant role in the marketplace. Thus Johannesburg and Cape Town enjoy more familiarity than Durban where its international profile is not prevalent.

### Ranking Across Indices

<table>
<thead>
<tr>
<th></th>
<th>CBI</th>
<th>Presence</th>
<th>Place</th>
<th>Pre-Requisite</th>
<th>People</th>
<th>Pulse</th>
<th>Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>43</td>
<td>43</td>
<td>37</td>
<td>41</td>
<td>46</td>
<td>43</td>
<td>46</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>44</td>
<td>42</td>
<td>41</td>
<td>39</td>
<td>45</td>
<td>45</td>
<td>43</td>
</tr>
<tr>
<td>Durban</td>
<td>48</td>
<td>50</td>
<td>43</td>
<td>42</td>
<td>44</td>
<td>49</td>
<td>42</td>
</tr>
</tbody>
</table>
Each of the South African cities is compared to competitor cities. Johannesburg and Cape Town both lead their competitors Mexico City (46th), Cairo (47th) and Istanbul (45th), with Durban behind. All three South African cities rank behind the competition for their Presence - lagging for their overall familiarity, in particular. For familiarity, Mexico City scores 28 and Istanbul scores 29, ranking near the middle of the 50 cities, with double-digit advantages over South Africa’s cities. For contributions to the world, however, Johannesburg (40) leads Mexico City (42) and ties with Cairo (40) - while Durban (50) and Cape Town (44) trail the competition.

On Pulse, the three South African cities rank last, with historic Cairo leading for having interesting things to see during a short-term visit and Istanbul for its long-term offerings.

All three South African cities lead the competition for their cleanliness - particularly versus Mexico City where all three cities have a double-digit lead. All lead for their amenities, too, but Mexico City leads all three South African cities for its affordability - and Cairo and Istanbul both lead Durban by seven and twelve positions, respectively. When it comes to education and business potential, both Johannesburg and Durban lead the competition, but Cape Town's lead is more narrow.
The final section on lessons and implications will present some detailed comments on strengths and challenges to South African cities from the CBI study.

**IV - Competitiveness of South African cities**

The MasterCard African Cities Growth Index (ACGI) studies inclusive urban growth. In order to arrive at values that point to the relative levels of inclusive growth, and growth potential of the 74 African cities, the ACGI covers a total of twenty five variables. As described by the authors, the ACGI,

‘...is a barometer of current urban conditions, and it is also a barometer of urban potential. The ACGI assesses economic factors but it also includes dimensions of agglomeration and a range of social indicators. It is not an explicit measure of inclusive growth, but it reflects the inclusive growth potential of cities.’

The study classifies cities in three categories, being:

1. Large cities - more than 1 million;
2. Medium cities - between 500,000 and 1 million;
3. Small cities - under 500,000.

The growth potential of the large, medium and small cities is then derived from the assessment model that incorporates and weighs twenty five variables for each city. The results are then categorised as follows in four categories, being:

1. High inclusive growth potential: value of 50 and above;
2. Medium-high inclusive growth potential: value of 40 - 49.99;

Beyond the technicalities of the study it is interesting to observe that the top five cities on the African continent, with the highest inclusive growth potential are:
Filling out the top ten slots in the ACGI are cities such as Abuja, Accra, Lusaka, Nairobi, and Kumasi.

According to findings from the 2015 ACGI, no African city occupies the High inclusive growth potential category. The top cities are therefore all in the medium-high inclusive growth potential bracket.

From a strategic business planning point of view (for both private and public sector stakeholders) growth potential of cities is a crucial factor to bear in mind when considering expansion across the continent.

But, what about South African cities, how do they fare in the growth potential stakes? The ACGI assesses five South African cities, including – Port Elizabeth, Cape Town, Durban, Johannesburg, and Pretoria/Tshwane.

Firstly, all the cities, excluding Port Elizabeth, all fall in the medium-low growth potential bracket.

Secondly, and something that may come as a surprise to some, Pretoria/Tshwane ranks the highest of all these cities.
The ACGI report indicates that,

‘The South African cities of Cape Town, Durban, Johannesburg, Port Elizabeth and Pretoria have all shown marked declines in their rankings, falling to the bottom half of medium to low growth cities, and in the case of Port Elizabeth, to low growth levels.’

Some reasons offered for the above scenario by ACGI include:

- Decreasing economic growth;
- Low household consumption;
- Labor inefficiency and low productivity;
- Decreasing competitiveness; and
- Challenges with education.

While the above challenges impact negatively on the inclusive growth potential of the cities, the ACGI points to the following strong points within cities that can be leveraged to bolster potential, being:

- Well established infrastructure - both financial and physical; and
- Relatively high levels of governance.

The ACGI does not work with a numerical ranking, but uses the index value calculated for each city as a basis for its relative position on the index. The table below shows the indicators for South African cities, and places it in relative ranking context to peer African cities.

<p>| South African City Growth Potential Indicators |  |</p>
<table>
<thead>
<tr>
<th>City</th>
<th>2014 Index Value</th>
<th>2015 Index Value</th>
<th>2015 relative ranking (/49 Large cities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pretoria/Tshwane</td>
<td>39.611</td>
<td>36.641</td>
<td>22</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>38.362</td>
<td>34.603</td>
<td>28</td>
</tr>
<tr>
<td>Durban</td>
<td>34.335</td>
<td>33.634</td>
<td>33</td>
</tr>
<tr>
<td>Cape Town</td>
<td>33.721</td>
<td>31.276</td>
<td>39</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>31.513</td>
<td>27.594</td>
<td>45</td>
</tr>
</tbody>
</table>
As can be seen from the table above, all the South African cities see a decrease in their inclusive growth potential values between 2014 and 2015. A whole host of macro-economic factors in the national economy play a role in dampening the outlook for cities, but, this also implies that higher inclusive growth potential in the country’s cities can have a direct and positive impact on national-level or macro-economic performance.

V - Lessons and implications for the Nation Brand & South African City Brands

The figure below captures some of the strengths of South African cities from the City Brand Index.

<table>
<thead>
<tr>
<th>Cape Town</th>
<th>Durban</th>
<th>Johannesburg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place (37/50)</td>
<td>Cleanliness (35/50)</td>
<td>Pre-requisites (39/50)</td>
</tr>
<tr>
<td>Climate (22/50)</td>
<td>Affordable accommodation (37/50)</td>
<td>Climate (32/50)</td>
</tr>
<tr>
<td>Cleanliness (37/50)</td>
<td></td>
<td>Cleanliness (37/50)</td>
</tr>
<tr>
<td>Affordable</td>
<td></td>
<td>Affordable Accommodation (29/50)</td>
</tr>
<tr>
<td>accommodation</td>
<td></td>
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</tr>
</tbody>
</table>

It is clear that South African cities are perceived as clean, with a great climate, and affordable accommodation. Furthermore, the following positive perceptions exist about the people of the three cities, being that they are:

- Hard working,
- Respectful of traditions, and
- To a lesser extent “happy” and “easy-going.”
- People from Cape Town are seen as “energetic”.

This being said, it is necessary to indicate that much more can be done to increase familiarity with the three cities.
The figure below outlines some of the challenges faced by the three cities in terms of CBI findings.

- **Cape Town**
  - Good place to do business (46/50)
  - Educational qualifications (45/50)
  - Safety (46/50)

- **Durban**
  - New things to discover (49/50)
  - Warm & friendly (48/50)
  - Familiarity (49/50)

- **Johannesburg**
  - Good place to do business (43/50)
  - Ease of finding a job (45/50)
  - New things to discover (45/50)

While the three cities perform relatively well in terms of climate, accommodation, and cleanliness, when one looks at perceptions regarding the cities as good places to do business some concerns emerge: Johannesburg and Durban rank 43rd on this indicator, and Cape Town at 46th.

It is in terms of the above point that a connection can be made with some of the salient issues emerging from the ACGI. Key issues that emerge from the ACGI are captured in the figure below.

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**Key African Cities Growth Index findings on SA cities**

Some reasons offered for the above scenario by ACGI include:

- Decreasing economic growth;
- Low household consumption;
- Labor inefficiency and low productivity;
- Decreasing competitiveness; and
- Challenges with education.
While the ACGI identifies the above challenges with regards to inclusive growth potential of the cities measured, it is notable that South African cities have unique strengths in terms of infrastructure, and governance capability.

Lesson 1
Due to the increasingly critical role cities are playing in the global economy, more emphasis has to be put on how these cities contribute to the national economy;

Lesson 2
South Africa has become a ‘young urban nation’;

Lesson 3
Perceptions of South African cities reflect on the Nation Brand and its reputation as well. Meaning that what cities offer residents and the world play a major role in shaping the reputation and competitiveness of the country as a whole;

Lesson 4
Need to interrogate reasons for lowering inclusive growth potential of South African cities as seen in the ACGI;

Lesson 5
Work on profiling the business, trade and investment offerings of South African cities more and to increase familiarity with the cities in key international audiences.
City Brand Index Measurement Tool Methodology

The 2015 City Brand Index (CBI) survey is conducted among citizens in 10 countries - both developed and developing - that play important and diverse roles in the flow of business, cultural, and tourism activities. The 10 Panel Countries are:

- Australia
- Brazil
- China
- France
- Germany
- India
- Russia
- South Korea
- The United Kingdom
- The United States

In all, 5166 interviews were conducted with at least 500 interviews per country for the 2015 CBI survey. Adults 18 years or over who are online are interviewed in each country. The achieved sample in each country has been weighted to reflect key demographic characteristics such as age, gender, and education of the 2015 online population in that country. The report reflects the views and opinions of online populations in these 10 countries. Fieldwork was conducted from September 10th to September 23rd, 2015. The CBI measures the image of 50 cities. In each panel country, the list of 50 cities is randomly assigned to respondents, each of whom rates 32 cities, resulting in each city getting approximately 300 ratings per panel country. The list of 50 cities is based on the political, economic, and cultural importance of the cities and their roles in the flow of trade, businesses, people, and tourism activities. Regional representation is taken into consideration to make the study truly global.

Additionally, the City Brands Index measures the power and appeal of each city’s ‘brand image’ by examining the following six dimensions:

**The Presence:** Respondents were asked how familiar people are with each of the 50 cities in the survey and whether each city has made an important contribution to the world in culture, science, or in the way cities are governed, during the last 30 years.

**The Place:** Here, people’s perceptions are explored about the physical aspect of each city: how pleasant or unpleasant they imagine it is to be outdoors and to travel around the city, how attractive it is, and what the climate is like.

**The Pre-requisites:** Respondents are asked about their basic requirements of a city: how easy they think it would be to find satisfactory, affordable accommodation, and what they believe the general standard of public amenities is like - schools, hospitals, public transport, sports facilities, and so on.

**The People:** The people make the city; respondents think the inhabitants would be warm and friendly, or cold and prejudiced against outsiders. Would be easy for them to find and fit into a community which shares their language and culture. Additionally, respondents are asked how safe would feel in the city.

**The Pulse:** How easy would it be to find interesting things to do, both as a short term visitor and as a long term resident.

**The Potential:** Economic and educational opportunities to offer businesses, immigrants, and students. How easy it would be to find a job in the city, and, if they had a business, how good a place they think it would be to do business in.
References

5 Ibid
6 Ibid

Brand South Africa’s Research Notes and Research Reports communicate findings from Brand South Africa research and related panel discussions. The Research Notes and Reports are intended to elicit comments, contribute to debate, and inform stakeholders about trends and issues that impact on South Africa’s reputation and overall competitiveness.

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