



# Lessons from good and bad practices in retail-led urban regeneration projects in the Republic of Korea



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## ABSTRACT

Industrialized countries suffer from the negative influence of decline in their traditional retail districts with the rapid increase of online sales and out-of-town shopping developments. Upon recognising these problems, governments have responded to the decline of traditional retail districts with retail-led urban regeneration. Although there are many case studies on urban regeneration projects, most of them primarily focus only on good or successful cases, despite the fact that the exploration of a bad or unsuccessful case can provide more insight into failed projects. This study aims to examine the lessons that can be learned by comparing good and bad practices for accomplishing successful urban regeneration projects in traditional retail districts. Using the survey data from the Small and Medium Business Administration (SMBA) of the Republic of Korea in 2014, we identify good and bad practices for comparison through an integrated approach using both quantitative and qualitative methods. We find that good practices are focused on self-sufficiency improvement; conversely, bad practices are based on the development of supportive government policies to benefit the revival of the districts. For the successful promotion of a retail-led regeneration strategy, a supporting system, such as a policy, is necessary to bring about the cooperation and sharing of a common goal for long-term business results to be derived at the policy level.

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## 1. Introduction

Many countries suffer from the negative influence of declining town centres on their traditional retail districts. They need to apply policies to promote small, independent retailers that are located in their local traditional commercial districts (Ozuduru, Varol, & Yalciner Ercoskun, 2014). In the Republic of Korea, the complete opening of the distribution market to foreign countries and investors in 1996 had a significant impact on the distribution of businesses. Along with changes in lifestyle resulting from increasing income levels, consumption patterns also changed, and consumers moved toward large-scale supermarkets and online shopping for friendly, convenient, and comfortable shopping experiences. Given the rapid rise of these one-stop stores, the number of traditional commercial districts declined from 1660 in 2005 to 1372 in 2013. The decline of traditional local retail districts has significantly influenced Korean society; many urban commercial areas have become empty and obsolete spaces, particularly in the downtown areas. Local and central governments have recognised the need for the redevelopment of traditional retail districts because the survival and development of traditional commercial districts can produce both social and

economic advantages. Self-employed or family-employed businesses in traditional retail districts contribute to the resolution of local unemployment problems (Thurik, Carree, Van Stel, & Audretsch, 2008; Saridakis, Mendoza, Munoz Torres, & Glover, 2015). The chain reaction of closing local traditional commercial districts can devastate local and national economies, and the cultures and histories that are associated with the traditional commercial districts could disappear. Upon recognising these problems, the South Korean government has pursued various policies to foster local traditional commercial districts, including building infrastructure, improving business management, and adopting place marketing strategies in each local area. The government has earmarked a large budget for the promotion of local traditional commercial districts and their transformation into attractions for tourists or visitors by linking them with the historical and cultural attractions near the commercial districts as urban regeneration initiatives.

During the 2000s, with the rapid increase in online sales as well out-of-town shopping developments, the government responded to the decline of town centres and traditional retail districts with the development of new policies. Other urban regeneration programmes and retail-led projects such as the U.K.'s town centre management and the U.S.'s business improvement districts addressed the potential for urban regeneration beyond short-term capital-funded schemes and day-to-day maintenance (Otsuka & Reeve, 2007A). In terms of the contribution of retail-led urban regeneration such as town centre

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management (TCM), business improvement districts (BIDs), and town management organisations (TMOs), there has been a strong emphasis on retail's role as an engine for economic growth in deprived areas (Dixon, 2005). Evaluation of performance in retail-led urban regeneration has had a significant impact on other similar regeneration projects. The results of several studies that address both good and bad practices can be applied to other regeneration projects worldwide. The results of these studies represent a useful collection of both good and bad practices in urban policy (Hemphill, McGreal, & Berry, 2004). Although many case studies have been conducted on urban regeneration projects, most of them have focused only on good or successful cases as a central component of a strategy, despite the fact that a bad or an unsuccessful case can provide reasons or rationales for why the projects failed, which can be helpful for future endeavours (Lowe, 2005; Dixon, 2007; Dixon, Otsuka, & Abe, 2011).

This study therefore provides the lessons learned from comparisons of good and bad practices for the successful accomplishment of urban regeneration projects in traditional retail districts. The paper is organised as follows: First, we present a review of the literature related to retail district regeneration policies in the U.K., the U.S., Japan, France and Italy and retail-led regeneration initiatives combined with culture and tourism strategies in the Republic of Korea, where policies are created with specific attention to the needs of small business and retailers. We describe the differences among similar retail-led urban regeneration initiatives and address the uniqueness of retail-led regeneration in the Republic of Korea. Second, we identify good practices and bad practices in the performance of retail-led regeneration using evaluations based on a data envelopment analysis (DEA). Third, we compare the good and bad practices through an integrated approach, using both quantitative and qualitative methods. Finally, we provide concluding remarks and practical implications, drawing on the respective performances of the case studies and the successes or shortcomings of the presented retail district regeneration policies.

## 2. Literature review

This section addresses the characteristics of representative retail-led initiatives in the U.K., the U.S., Japan, France and Italy, and introduces retail district regeneration policies in the Republic of Korea, with a focus on cultural and tourism-oriented strategies such as urban regeneration.

### 2.1. Retail-led urban regeneration strategy in traditional retail districts

Retail-led regeneration is an important mechanism to revitalise communities by creating jobs, promoting economic growth, and creating attractions to draw people to an area (Claxton & Siora, 2008). Since the decline of independent retail and the city centre became more noticeable in the 1990s, retail-led urban regeneration has become important in urban planning through active planning policies involving different agents, with plans and actions that particularly target the city centre as well as deprived spaces (Fernandes & Chamusca, 2014). Retail-led urban regeneration can bring real benefits to urban retail sectors and urban environments, and it can play a key role in the construction of self-organised and bottom-up initiatives such as community-based organizations. The involvement of all the actors who work in various capacities in urban areas and who have a legitimate interest in the construction of integrated and efficient urban policies is essential. Successful retail-led urban regeneration contributes substantially, distinctively improving sustainable communities (Claxton & Siora, 2008). However, there have been some criticisms about the quality of the jobs provided by the retail sector (Edizel, 2014). In addition, urban regeneration often increases the real estate values of the surrounding policy area and can lead to gentrification, including displacement of traders and customers (Gonzalez & Dawson, 2015).

Although the background of policy implementation for retail-led urban regeneration slightly varies depending on the involved government, many industrialized countries have pushed retail-led regeneration policies in order to revive the traditional commercial area. The U.K., the U.S. and Japan have focused on economic growth for cultivating the revitalisation of the commercial district; France and Italy, on the other hand, have focused on social prospects such as protecting small local businesses and ensuring diversity in small enterprises (Ministry of Economy, Trade and Industry, 2015).

The U.K., the U.S., and Japan have implemented revitalisation policies such as TCM, BIDs, and TMOs, which have contributed to improvements in local traditional commercial districts. Improvement programmes such as TCM in the U.K., BIDs in the U.S., and TMOs in Japan are forms of voluntary management for the development of competitive strategies in order to revitalise urban retail development. Although such programmes are authorised by the government, they are promoted and managed by private operators (Brunetta & Caldarice, 2014). The growth of BIDs can be linked to wider economic and political changes in the U.S. that have occurred since the 1980s (Symes & Steel, 2003). A BID is formed when the majority of commercial property owners in a neighbourhood vote in favour of a package of taxes and expenditures on public goods that supplement specific districts instituted by local governments. In its most elementary form, a BID is a legally defined body that levies contributions from its members and spends funds in a manner that has been agreed upon by a board that is composed of a proportion of the membership (Brooks & Strange, 2011). The aims are much the same for each BID, as are some of the principal mechanisms, such as street cleaning. Many BIDs confine themselves to providing clean, tidy, well-manicured streets with a clearly visible security presence. However, even in the U.S. markets, a concern has emerged that BIDs can have a disproportionate impact on less affluent and less cohesive social groups. Those who already face problems of social exclusion can find themselves increasingly marginalised by a system of 'privatised' public service provisions, which, by their very nature, have a specific set of concerns and target the needs of affluent business persons and their customers (Symes & Steel, 2003).

TCM has emerged as the most common means of protecting the 'vitality and viability' of town and city centres in the U.K., particularly those faced with increasing competition from off-centre retailing (Hogg & Warnaby, 2007). The development of TCM in the U.K., beginning in the late 1980s, was somewhat independent of the emergence of TCM-like schemes outside of the U.K. (Cook, 2009). In the early days of its development in the U.K., TCM was observed primarily as a response to external factors and entailed 'a comprehensive response to competitive pressures, which involves development, management, and promotion of both public and private areas within town centres, for the benefit of all concerned' (Wells, 1991; Coca-Stefaniak, Parker, Quin, Rinaldi, & Byrom, 2009). TCM schemes and BIDs share similar characteristics and genealogies. They encourage a greater number of visitors and investors and a greater amount of sales, while fending off increasing competition. The development of TCM meant that several sought-after central government regeneration grants became accessible. The implementation of TCM was also structured by a wider embrace, both nationally and locally, of neoliberal ideologies that made speculative and partnership-based schemes such as TCM politically desirable (Lloyd & Peel, 2008). In the U.K., the concept of TCM is defined as a coordinated, pro-active initiative that is designed to ensure that towns and city centres are desirable and attractive places. TCM's significance has been acknowledged in improving the standards of services and quality of town centres, and in encouraging the coordination of partnerships between the private and public sectors (Otsuka & Reeve, 2007A). Many TCM entities have excellent place marketing skills and have succeeded in altering the perception of towns (Stubbs, Warnaby, & Medway, 2002). When TCM had just been introduced, there was a reasonably clear polarisation between (a) public-sector concerns with solving economic decline and social malaise and (b) private-sector

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