Evolving Strategies in the Johannesburg CBD

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The Johannesburg Central Business District (CBD) has evolved dramatically over the course of its lifetime. Since its origin, and the implosion in the 1980s, it saw exponential growth. Established as a mining town in the late 1800s, within a short space of time it became the commercial centre for the entire country, only to decline by the end of the following century. In response to the deterioration of the CBD, the local council began developing and implementing various revitalisation strategies in an attempt to resuscitate the area. A variety of entities were formed to this end, perhaps most prominently the Johannesburg Development Agency, bringing together both the public and private sectors. Projects were devised and hundreds of millions of Rands were spent on the gentrification of the city.

While many businesses and individuals that fled the city centre to the suburbs continue to view the CBD as inhospitable, many others have recognised the success achieved in recent years. This turnaround has spilled over into the retail sector. The inner city appears to have retained its importance as a centre of retail, although it has adjusted to the changing demographics and buying power of its inhabitants. Whilst many people perceive this to have resulted in a general downgrading of retail in the CBD, a number of national retailers have entered, or expanded their operations in the area, "operating large stores and reporting massive turnovers" (Bremner 2000:187). In this article we identify how retail has evolved in the Johannesburg CBD in the context of the city's political, social and economic evolution, the urban decline experienced, and the renewal efforts implemented to revive it. We interview a small sample of prominent retailers operating in the CBD to gain insight into the effects that the decline of the city and the resulting renewal initiatives have had on the nature and dynamic of retail. The questionnaires were structured to be open-ended so as to employ qualitative methodologies and elicit in-depth responses.

The Nelson Mandela Bridge crosses the Johannesburg Station shunting yards, linking the business districts of Braamfontein and Newtown.

The effects of renewal initiatives on the retail sector

All the respondents recognised that urban renewal efforts since 2000 have had positive consequences on the CBD space and as a result on the retail sector. They have all benefitted from significantly improved retail trading over the past decade although they stressed that this was off a lower base than their suburban counterparts because of the decline of the '90s. The factors that were highlighted by retailers as positively contributing to the improved retail conditions included the following:

> *There are still many challenges ahead for the CBD. The office sector still faces major vacancies, and rental levels have been too low in recent years to attract new buildings.*

First, every respondent recognised an improvement in the general condition of the CBD. The urban renewal initiatives that were seen by all respondents as being the most beneficial to trade are those that focus on the day-to-day maintenance of the CBD. This is most applicable to security and cleaning and, in this regard, the City Improvement Districts have had a major effect. A point raised is that while certain parts of the city have been cleaned up and made safe, there are parts that have not. While most people in the city know which parts to avoid, some do not, and this therefore becomes a deterrent to potential tourist coming into the city, as well as some of the white collar workers from venturing out of their offices. The improvement of lighting, pavements, greenery and the general maintenance of the infrastructure around the store was noted by 65% of respondents, as being important. The reason for this (as noted by one of the retailers) is that, "If the environment is well maintained, it

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encourages people to hang around in the area, and these people become customers." Retailers identified that better security has been critical for the increase in trade. As one retailer put it, "Even if there are a huge amount of pedestrians, if they don't feel safe, they are not going to shop." Office workers are now willing to venture out of their offices to shop at lunch time, and commuters who would previously have tried to get from point of origin to destination as quickly as possible feel more comfortable to mill around. "The psychological aspect of feeling safe can also not be understated," suggested one retailer, as, "a customer that feels in danger will both consciously and subconsciously avoid making a purchase."

Second, the improvement in residential accommodation has seen an increase in "better quality tenants, with greater purchasing power." The importance of a good quality residential sector in the CBD was reported as being crucial. Although large numbers of people commute through the CBD, they are constrained by how much they can purchase as they are dependent upon public transport. However, CBD residents are able to shop for larger items such as furniture and appliances as well as making use of fast food outlets, many of which are now open 24 hours a day and deliver to the residents in the city. There was some disagreement about who had contributed the most to this, with 40% attributing this to the efforts made by the private sector, 25% by council, and 35% believing

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Informal traders in the city centre.

that the improvements are due to equal cooperation between the public and private sectors. Whilst the retailers acknowledged the need for the public sector to be more active and efficient, they believed that in order for the improvement to be sustained, the private sector needs to continue to drive and oversee the process. One of the respondents noted with reference to the private sector's involvement, "We know that it is the responsibility of council to enforce its by-laws, and maintain the area, since this is what we are paying our taxes for. In reality, we all know that if something is going to be done, then you have to do it yourself."

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The overwhelming majority of retailers (70%) are not just bullish about the future prospects of retail in the CBD, but are actively looking to open new sites. In this regard, however, a few of the retailers indicated that the offers they have received from landlords have not been suitable. This raises an interesting point, since the expectation of retailers in the CBD appears to be the same as that in the suburbs, where the landlord is expected to provide a turnkey solution for the retailer. Owing to the nature and constraints of the infrastructure this might not be a realistic expectation in the CBD.

Retailers pointed out that the main benefit they gain from being located in the CBD is the density and quantity of people moving through the area. One retailer noted that, "Even though not everyone has the money to shop in our stores, and at least not often, if a small percentage of the population does, then this is still a huge market." It was further noted that "the population in the city is a captive one, which either comes to work in the city every day, or lives here." One retailer noted that whilst night trade and weekend trade in some parts of the city are non-existent in the CBD, weekday trade easily makes up for the down-time. Another retailer noted, "We see more passers-by on this street in one week than the biggest malls in the suburbs see in a month." Furthermore, all retailers recognised an increase in purchasing power, and believe that this trend will continue.

The effects that transport plays on the overall dynamics and success of the retail trade are highly significant. The CBD remains the hub of public transport for the entire greater Johannesburg area. The nature of the transport nodes creates identifiable locations for retail, as well as predictable pedestrian patterns.

The tax incentives and cultural activities held in the city were seen by a minority (20%) as being beneficial, but they highlighted that the long terms sustainability of successful retail would not hinge on this.

Despite the positive points raised by the respondents, it was acknowledged that the CBD "still isn't exactly perfect." The biggest complaints related to the aging, restrictive infrastructure and various disruptions that occur in the CBD. With regards to the infrastructure, numerous issues were highlighted. It was suggested that "what you find is what you get", with reference to the fact that the city is already built, unlike "greenfield" developments in the suburbs. This means that often the shop space taken is either the wrong size or the configuration is not ideal. 90% of respondents pointed to the negative effects of strikes and rioting in the CBD. Furthermore, it was pointed out that often rioters damage the shop fronts and other infrastructure in the area without any regard.

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The effects of hawkers were also noted as being significant. Hawkers are seen as competition and are often located in the most strategic positions thereby intercepting trade and then cutting prices because they have little overheads. The overriding feeling was summed up by one of the retailers, "The hawkers do what they want and then the council finds a way to legitimise it." The result is that often pavements become congested, making it difficult for customers to walk, creating a feeling of insecurity for pedestrians, and often shop entrances being blocked.

Strategies of retailers in the Johannesburg CBD

According to one of the respondents, the dynamics of the CBD have "normalised, in line with the normalisation of the country as a whole." That is, the demographics in the CBD are now more closely aligned with the demographics of the greater Johannesburg area and the rest of the country. Those individuals that were previously economically marginalised are seen as the "growth market" for most of the retailers interviewed. The various respondents agree that the CBD is the best area to target this market. One retailer noted that "any retailer that ignores this sector does so at its peril." Respondents indicated that over the past decade the demographic has moved up the LSM scale with more people in the 4-6 range than before. Most of the retailers interviewed (70%) cater to LSMs 4-6; however, a small but significant component caters to LSMs 7 to 10. The former focuses on the residential and commuter market, whilst the latter focuses on the office market. Although a large number of office workers can be found in the CBD, many of these are catered for by in-house canteens. This market tends to live in the suburbs and does its shopping in the suburban malls on the weekends. They do however frequent some of the shoe shops, restaurants and coffee shops in the CBD.

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Ninety percent of respondents preferred to be located in an improvement district. The major retail node for the LSM 3-6 market is flanked by Rissik and Eloff Streets on the west and east and by Kerk and Commissioner Street to the north and south. This area constitutes the Retail Improvement District. The busiest trading times were identified as midday and during the morning and afternoon commute. Joubert, Kerk and Pritchard Streets were reported as the busiest streets. One retailer went so far as to say that "the worst location can be a mere 50 metres from the perfect location" and thus many retailers have a sister store within a radius of 1km. Respondents indicated that whilst this does sometimes result in cannibalisation, it increases aggregate sales.

The term "value-driven" kept surfacing in response to questions regarding pricing (70%). Most retailers indicated that they did not wish to be perceived as the cheapest, but rather as the retailer offering the best value. Retailers indicated that even those individuals in the lower and middle LSM brackets were "very brand conscious." Approximately half of the retailers interviewed indicated that their product mix was the same in the CBD as elsewhere. The other half indicated that they attempt to individualise their product selection based on local preferences. A grocery store manager said that the company was still "playing around with its product offering" in an attempt to best serve the market in the CBD. All retailers indicated that "basket shopping" as opposed to "trolley shopping" is the norm. For furniture and appliance retailers, this was less of a concern, as they offer delivery services. In fact, a furniture retailer indicated that often they have a customer select and pay for an item for a family member out of town. These stores often leverage off their sister stores or central warehouses to make the delivery countrywide.

A key point made by one of the store managers was that even though the customers fall into slightly lower LSM groups than in the suburbs, it is important to treat them with the same respect and dignity, and for the quality and standard of the store and its products to be equal to their suburban counterparts.

Moving forward

After many years of relative neglect, retail in the Johannesburg CBD is seeing a significant turnaround. This is driven by two coinciding trends reinforcing each other. Firstly, the revitalisation efforts of the CBD are bearing fruit and the improved crime and grime scenario has resulted in a better trading environment. Secondly, the growing lower middle classes within South Africa and, indeed, in developing countries more generally, are precisely the markets that the CBD targets. The growing literature on strategies for penetrating the fortune at the bottom of the pyramid is relevant to this context. However, large retailers in South Africa have recognised this growing market and, as a result, we have seen a growing number of developments within the townships. For example, 80% of our respondents noted that recent developments in Soweto had affected trade negatively in the CBD by providing some of their market with closer alternatives. Yet none of the respondents believed that developments in the suburbs impacted their trade at all because it targeted a different market.

Going forward, it is important that these developments are consolidated and that the public and private sectors continue to work together to achieve a sustainable solution to the difficulties that the CBD faces. The various stakeholders need to continue to interface with each other on an on-going basis. While the private sector is ploughing millions of Rands into the CBD, which is undeniably enhancing the fortunes of the city, it cannot achieve its goals without the support and involvement of the council. The day-to-day maintenance and control of the city environment is critical. Whilst flagship projects place attention on the area, it is the continued management of the area that will determine its success.

Ultimately, if each stakeholder in the city, whether council, property developers, retailers, or the local population, feel that they have a vested interest in the success of the city, then the Johannesburg CBD can truly be world class, but still distinctively African. The city has changed. Instead of trying to change the existing dynamics and flows in the CBD, we should rather tap into them, and harness the momentum that already exists. The market within the CBD is undeniably a large one and is recognised as holding significant potential for the future.

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