Introduction

This chapter deals with the period between the early 1980s and the mid-1990s and concentrates on an analysis of the causes of the effects that were explained in the previous chapter. Like Chapter 3, this analysis will be carried out in terms of three actors, i.e. government, consumers and retailers, by which the retail industry is crucially influenced. This chapter shows that the changes in their behaviour resulted in the remarkable changes seen in the retail industry since the 1980s.

Government policy will be examined first. The change in policy can be represented in terms of consumption liberalization. It includes socio-economic policies as well as actual policies directed at the retail industry. Even if the period since the 1980s is called the period of the change from the state to the market in Korea, government policy was still influential. In particular, the government’s industrial policy was an important factor for the development of industry because it was related to legal support in terms of taxation and protection. In this respect, an analysis of laws and regulations over time is useful for uncovering the political situation relating to consumption and the retail industry. Another subjective factor needed to actualise the development of the retail industry was consumers. Their attitude to consumption was one of the most influential factors for the retail industry. As we have seen in Chapter 4, conditions such as socio-economic environment, the level of income and the composition of the population surrounding consumption were rapidly creating favourable circumstances for consumption in the 1980s. These encouraging factors, in fact, seemed to contribute to the change in consumption in terms of both the quantitative and the qualitative aspects. However, the actual change in the retail industry is unlikely to be explained only by the change in environment. In other words, its concrete structure can be different in countries with similar conditions. This is the reason why we should examine subjective factors. In this respect, an analysis of consumer behaviour is likely to be very significant for the era of mass consumption which occurred from the 1980s. Thus this chapter will examine how consumers responded to these changes with
altered consumption attitudes. There is no need to dwell upon the importance of the retail industry itself for the development of consumption and the retail industry. Here, we will focus on the department store as one of the representative modern retail institutions, and on what strategic changes the department store underwent in responding to changes in the policy and modified consumer attitudes. This will also be linked to the analysis of the absence of the appearance of the other retail formats for mass consumption such as supermarkets and general merchandise stores as a distinct phenomenon in the Korean economy. Outside Korea, in general the department store was initially one of the representative retail institutions for mass consumption, but it changed its position to retail luxury goods after competition with, and the defeat of, other institutions for mass consumption, such as supermarkets and discount stores. In Korea, however, the department store was a luxury retail outlet from the time of its original appearance as an imported institution in the earlier period of industrialization, and it became a dominant institute for mass consumption with the expansion of the consumer market in the 1980s. In other words, the development process of the department store format in Korea was different from that of its general type, particularly in the developed Western countries. A similar phenomenon appeared from the early period of the 1900s in Japan, as a late developing country which imported the department store (Larke 1994: 175–177; Ikeo 1997: 150–151; Young 1999: 57–59). In this respect, the popularization of department stores seems to be regarded as a common phenomenon occurring in countries which import it, such as late developing countries. However, there is also a considerable difference in the process of retail evolution between such countries. While, in Japan, the retail institution of the general merchandise store (GMS) emerged and fiercely competed with the department stores in the era of mass consumption since the 1950s, in Korea, there was no competitor to share the mass consumption market even in the era of mass consumption since the mid-1980s. This phenomenon can be understood as a result of a unique synthesis of both the strategy of the department stores, which tried to raise their market share, and the attitude of consumers, who responded to the existing socio-economic environment at that time. Moreover, as we will examine in the next chapter, the difference might be presumed to influence the behaviour of consumers in the future and so the strategy of a newly established retail institution in Korea, such as the discount store for mass consumption in the 1990s.