CHAPTER 7

Distinctive Evolution of Korean Retailing: Theoretical Consideration and Contemporary Developments

1 Introduction

This study concludes by summing up the recent evolutionary pattern of the department store and discount store formats, and reappraising the application to the Korean case of the evolutionary theory of retail development. In that respect this chapter moves away from the structure of the previous chapters in focussing on analysis of the present shape of these formats rather than their historical evolution. Nevertheless, the conclusion retains the historical perspective, in as far as it analyzes the current situation, through identifying a causal relationship between present and past retail formats.

This chapter contends that the department store enjoyed only a short heyday, but that this phenomenon was the natural result of the evolution of Korean retail institutions. It can be said to be an integral and unavoidable part of Korea’s retail evolution. It was the outcome of the range of interactions between the three ‘actors’ in retail development that have been described, namely the government, the retailers and the consumer. This will therefore also continue to influence retail evolution in the future. This in turn leads to a need to re-examine application of the conflict theory of retailing, which argues that competition between different retailing formats is integral to the development and evolution of retailing. As we have seen, the absence of any serious survival game between the department store and discount store formats in Korea, calls this accepted theory into question. The department store has compliantly withdrawn from its existing market, and the discount store has quietly replaced it. We therefore have a relationship of cooperation, rather than conflict, between the two. The short heyday of the department store is closely related to this cooperation and peaceful situation. In other words, conflict theory is of limited explanatory power in relation to Korea’s retail evolution. I argue for a distinctive pattern of evolution resulting from the distinct ownership structure in the Korean retail industry, one of the three elements mentioned above.

Whatever the reason for this distinctive evolution, there is no doubt that it is likely to play a significant role at the next stage of Korea’s retail development. The Korean department store format occupied a significant part of the mass
consumption market from the beginning of the period of mass consumption starting in the mid-1980s. This suggests a pattern different from that found in many other economies, in which major changes in consumption pattern, such as the development of mass consumption, tend to give rise to an environment that generates new retail formats, such as the discount store and the general merchandise store. As a result of competition with these new retail formats, it is common for department stores to adopt the strategy of focusing on luxury goods. However, despite the rise of mass consumption in Korea, it appears that the emergence and development of new retail formats better suited to such consumption needed more time, and were somewhat delayed. The late development of these new retail formats is not simply a matter of delayed emergence, it has also generated a certain kind of path dependence. A number of other factors both inside and outside the retail industry responded in particular ways to the gap, in turn creating conditions that are likely to continue to mean that Korean retail development possesses certain distinctive characteristics. One result of this distinct evolution has been the luxurious discount store format identified here as the Korean-style discount store (KDS), which will be discussed in this final chapter. It will be shown how the Korean-style discount store interacts with a pattern of consumer behaviour that became accustomed to a high level of department store service since the start of the period of mass consumption, and has been shaped by a longstanding environment of equal or uniform consumption.

2 The Short Heyday of the Department Store

The year 2003 is understood in the Korean retail industry as the beginning of a new era. This is because the leading position in the mass retail format changed to the discount store from the department store, as the former exceeded the latter in sales (Hitoshi 2003: 37). The heyday of the department store finished at most around fifteen years after the period of mass consumption started in the mid-1980s. Even if there were department stores before the period of mass consumption, as has been seen earlier, they were negligible in terms of market share and influence on the retail industry. That was the era of the traditional market. However, the department store in its heyday in the period of mass consumption took the initiative in innovation and in the modernization of the retail industry. As the only modern retail format in Korea, its market share rose rapidly, although it did not exceed that of traditional retailers. Its growth rate was the highest among all retail formats. This continued for around fifteen years. The fact that the discount stores’ sales exceeded that of the department